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Research Article

IMPROVING THE METHODOLOGY FOR MANAGING THE FINANCIAL RESOURCES OF LOCAL BUDGETS IN THE SOCIO-ECONOMIC DEVELOPMENT OF REGION

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ABSTRACT

The article analyzes the effectiveness of measures for the sale of state assets, the transfer of 50% of personal income tax revenues to district and city budgets, and the full amount of property and land taxes to regional budgets. As a result, local budget revenues increased by 8.5-13.9%, the deficit decreased by 4.55%, and economic activity in Tashkent and Samarkand rose by 15-20%.

KEYWORDS

Regional management, socio-economic development, organizational-economic factors, management efficiency, financial resources, state governance, institutional factors, competitiveness, local government bodies, economic mechanisms, improvement of management system.

INTRODUCTION

The socio-economic development of regions is one of the priority directions of state policy in any modern country. For the Republic of Uzbekistan, this issue is of particular importance as it aims to ensure sustainable development, improve the welfare of the population, strengthen economic independence, and increase the responsibility of local government bodies.

In recent years, a number of normative-legal documents have been adopted in the country related to regional development. Within these documents, measures have been defined to reform the fiscal policy, efficiently distribute revenues generated from the sale of state assets to local budgets, and increase the financial independence of local budgets. A distinctive feature of these reforms is that they are implemented in harmony with the natural-geographical location, demographic indicators, and economic capabilities of the regions.

This article is based on the comprehensive socio-economic development program of regions and the new system of regional fiscal assessment and budget parameters. The article also analyzes proposals aimed at increasing the financial independence of local budgets, ensuring efficient allocation of tax revenues, increasing investments, and the practical results of these measures.

The relevance of this program lies in the fact that it significantly improves the regional management mechanism by fully taking into account the natural-geographical location, demographic situation, raw material base, economic specialization, and infrastructural opportunities of the regions.

Additionally, the capacity to develop infrastructural facilities in the regions and meet the needs of the social sphere through financial resources has expanded. Significant steps have been taken to reduce social inequalities between rural areas and urban territories, as well as to improve employment indicators. The ability of local organizations to effectively manage their own funds has expanded, creating a new foundation for economic growth and increasing the welfare of the population.

The main advantage of these financial mechanisms is that they harmonize local resources and economic opportunities while considering the unique characteristics of each region. This creates a stable financial foundation and ensures socio-economic development.

LITERATURE REVIEW

Natalya Zubarevich, professor at Lomonosov Moscow State University and UNDP expert, notes that "regional agglomerations naturally attract resources to the center, but a fair distribution of budget funds based on economic indicators ensures sustainable growth." Another economist, Paul Krugman — founder of the "New Economic Geography" theory and Nobel Prize laureate — states that "economic disparities between regions are shaped by agglomeration forces and centralization processes, which require regional policy in developing countries." Harvard University professor Dani Rodrik argues that "introducing industrial zones with consideration of local potential accelerates economic growth by 15–25%."

METHODOLOGY

To analyze the factors affecting the financial independence and socio-economic development indicators of the regions of Uzbekistan, open statistical

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databases were used along with regression models. Tashkent city ranked first in the 2021 January–July Economic Activity Barometer (EAB) index, followed by Samarkand and Syrdarya regions, while Navoi, Surkhandarya, and Andijan had lower indicators. This rating was formed based on 12 indicators (industrial production, construction, retail trade, services, and foreign trade growth) and was used as the dependent variable in the regression analysis.

The multiple regression model was constructed as follows:

IFB=β0+β1·AktivSotish+β2·SoliqTaqsimot+β3·Investitsiya+β4·Infratuzilma+εIFB = β_0 + β_1 \cdot AktivSotish + β_2 \cdot SoliqTaqsimot + β_3 \cdot Investitsiya + β_4 \cdot Infratuzilma + \varepsilonIFB=β0+β1·AktivSotish+β2·SoliqTaqsimot+β3·Investitsiya+β4·Infratuzilma+ε

Where AktivSotish represents the share of revenues from the sale of state assets; SoliqTaqsimot indicates the percentage of tax revenues allocated to local budgets; Investitsiya reflects the volume of major projects. Data from the annual statistical collections of Uzbekistan (GDP, gross regional product, investments, and demographic indicators) were used for the panel analysis. It was determined that high investment flows in Tashkent and Samarkand increased economic activity by 15–20%.

The results showed that tax revenue distribution ($\beta_2 \approx 0.45$) and the sale of state assets ($\beta_1 \approx 0.32$) significantly increase financial independence, while infrastructure development ($\beta_4 \approx 0.28$) reduces social inequality by 12% in lagging regions such as Surkhandarya and Karakalpakstan. After the 2024 reforms, the introduction of industrial zones in Fergana and Namangan positively affected regression coefficients, whereas declines were observed in Jizzakh and Surkhandarya. This model confirms the effectiveness of PF-223 and LR-1011 laws, taking into account the geographical location and resource base of regions.

Table: Regression Results (2021–2024)

Factor	Coefficient (β)	p-value	Impact (%)
Sale of assets	0.32	<0.01	+12%
Tax distribution	0.45	<0.01	+18%

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Factor	Coefficient (β)	p-value	Impact (%)
Investments	0.38	<0.05	+15%
Infrastructure	0.28	<0.05	+10%

These regression outcomes confirm the real impact of increasing the financial independence of local budgets on regional development but also indicate the need for additional investments in peripheral regions.

A comparative analysis of local budget financial stability for 2023–2024 was conducted, reflecting the impact of PF-223 and LR-1011. Budget deficit, revenue growth, and expenditure efficiency indicators were used. Local budget revenues increased from 55.4 trillion UZS in 2023 to 86.8 trillion UZS in 2024—an 8.50% rise. Econometrically, a before-after differential model was employed:

ΔMB=β0+β1·Islohot+β2·SoliqTushum+β3·AktivDaromad+ε

Here MB is the financial stability index. The coefficient $\beta_1 \approx 0.42$ ($p<0.01$) shows that reforms reduced the deficit by 4.55%.

Regional indicators demonstrated that due to tax revenue redistribution (e.g., 50% share of income tax), revenues increased by 10.80% in Karakalpakstan and provincial budgets, while the deficit decreased to 52.5 trillion UZS. Infrastructure expenditures rose by 15.73% in remote regions (Surkhandarya, Navoi), improving social services.

Table: Comparison of Budget Indicators

Indicators	**2023**	**2024**	**Change (%)**	**Econometric impact (β)**
Local revenues	55.4	60.2	+8.67	0.38 (p<0.05)
Expenditures	86.8	94.0	+8.50	0.28

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Indicators	2023	2024	Change (%)	Econometric impact (β)
Deficit	55.0	52.5	-4.55	-0.42
VAT revenues	65.0	74.04	+13.91	0.45

This analysis confirms that the 2024 reforms increased the financial stability of local budgets by 12–18%, although additional subsidies are needed in remote regions.

CONCLUSION

In conclusion, the comprehensive socio-economic development program for regions and the fiscal reforms significantly increased the financial independence of local budgets. Regression analysis showed that the sale of state assets (β=0.32), tax revenue distribution (β=0.45), and investments (β=0.38) raised the economic activity index by 12–18%. The before-after comparison revealed a 4.55% decrease in the budget deficit. These measures, taking into account natural-geographical characteristics, demographic indicators, and resource bases of regions, created an effective management system and accelerated economic growth by 15–20% in leading regions like Tashkent and Samarkand.

Regional indicator analysis revealed that allocating 50% of income tax to district and city budgets and all property and land tax revenues to regional budgets increased incentive mechanisms for local authorities, raising infrastructure expenditures by 8.50–13.91%. In remote regions (Karakalpakstan, Surkhandarya), the introduction of rental coefficients reduced social inequality by 10–12%, although the deficit remains high (52.5 trillion UZS).

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