THE ROLE OF STATE BUDGET REVENUES IN THE SOCIO-ECONOMIC DEVELOPMENT OF REGIONS

Samandarova Gulmira Muzaffar qizi
TSUE., PhD.

Abstract

The article examines the role of state budget revenues in the socio-economic development of regions. Additionally, the analysis covers the share of state budget revenues in the gross domestic product (GDP) for the period 2020–2024, as well as the structure of state budget revenues during this period.

Keywords: State budget, budget planning, taxes, gross domestic product (GDP), local budget.

Introduction

At present, the state budget plays a crucial role in the effective implementation of the government's economic policy. A particularly important factor is the revenue side of the budget, which serves as a key tool for the socio-economic development of regions. Financial resources accumulated through the state budget are widely used to develop regional infrastructure, improve the population's standard of living, create new jobs, and enhance the business environment.

In the Republic of Uzbekistan, significant attention has also been paid in recent years to the accelerated socio-economic development of regions and the rational use of their available resources and potential. In this context, the proper formation and efficient use of state budget revenues acquire priority importance. In particular, increasing the independence of local budgets and adapting fiscal and budgetary policies to regional conditions can unlock the economic potential of each specific region. From this perspective, the topic under consideration — the role of state budget revenues in the socio-economic development of regions — is one of the pressing issues of our time. Studying this issue allows for an analysis of the impact of the state financial system on regional development, identification of existing problems, and development of solutions.

Scientifically grounded forecasting of a country's socio-economic development prospects is equally important for the state, society as a whole, and each individual. In this context, individuals are particularly sensitive to the consequences of various phenomena that accompany economic development, such as unemployment, inflation, price increases, overproduction, or, conversely, insufficient production of essential goods. The need to prevent the negative effects of these economic processes requires the development of mechanisms that enable scientifically based forecasting of the future. As scientific studies show, both theoretical and empirical methods are used in the process of scientifically forecasting future changes.

In our opinion, forecasting should not be strictly divided into scientific and empirical categories, as any scientifically grounded forecast, considered as an independent object of research, is based on key data obtained through the analysis of past and current economic activity, as well as existing experience in economic relations. These data undergo scientific interpretation and serve as a foundation for developing directions for further improvement. This is explained by the fact that studying past and present experiences enables the extrapolation of identified development patterns into the future.

Review of the Relevant Literature

Let us consider the definitions provided by several domestic scholars regarding state budget revenues. For example, T. Malikov and N. Khaidarov define "budget planning as the centralized distribution and redistribution of the value of the gross social product and national income among the components of the financial system, based on the nationwide socio-economic development program, in the process of drafting and executing budgets at various levels and extra-budgetary funds."[1] .

Zh. Ergashev[2] in turn, developed scientific proposals and recommendations aimed at creating sources of additional revenues for local budgets. Taking into account the specific economic characteristics of the regions, the researcher outlines ways to improve local budget planning. In his view, approaches tailored to the potential of each region ensure the overall efficiency of the budgetary system..

In his reflections on the medium-term planning of state budget revenues, U. Tulakov[3] considers property tax as an important instrument for ensuring the financial independence of local budgets and expanding regional economic opportunities.

In his research, I. Niyazmetov[4] focuses on substantiating reforms in Uzbekistan's tax legislation, fiscal policy, and the formation of budget revenues. He identifies inconsistencies in the national tax system and provides scientifically grounded recommendations for their elimination.

ANALYSIS AND DISCUSSION OF RESULTS

State budget revenues are one of the most important sources for ensuring sustainable economic development. Their direct impact on the socio-economic development of regions is particularly significant. The financial potential of each region, the sources of budget revenues, and the mechanisms for their formation and effective management contribute to accelerating the pace of regional development. Analyzing the impact of state budget revenues on regional economic growth, identifying the causes of existing disparities between regions, and assessing the efficiency of resource utilization are among the most pressing tasks. In addition, issues related

---

[1] Malikov, T.S., & Khaidarov, N.Kh. (2007). *State Budget: A Textbook*. Tashkent: Tashkent Financial Institute, IQTISOD–MOLIYA Publishing. – p. 32

[2] Ergashev, Zh.A. (2023). *PhD Dissertation Abstract on the Topic: "Forecasting Local Budget Revenues and Issues of Expanding the Revenue Base"*. (PhD in Economics).

[3] Tulakov, U.E. (2022). *PhD Dissertation Abstract on the Topic: "Improvement of the Mechanism for Taxation of Real Estate"*. (PhD in Economics).

[4] Niyazmetov, I.M. (2018). *PhD Dissertation Abstract on the Topic: "Improving the Mechanism of Real Estate Taxation"*. (PhD in Economics).

to the formation of local budgets, their connection with expenditure structures, the distribution of tax revenues across regions, and their influence on development are also examined.

Economic growth rates, tax rates and the tax system, the quality and coverage of public services, as well as measures aimed at reducing corruption and inefficient use of resources, also influence the growth of government revenues.
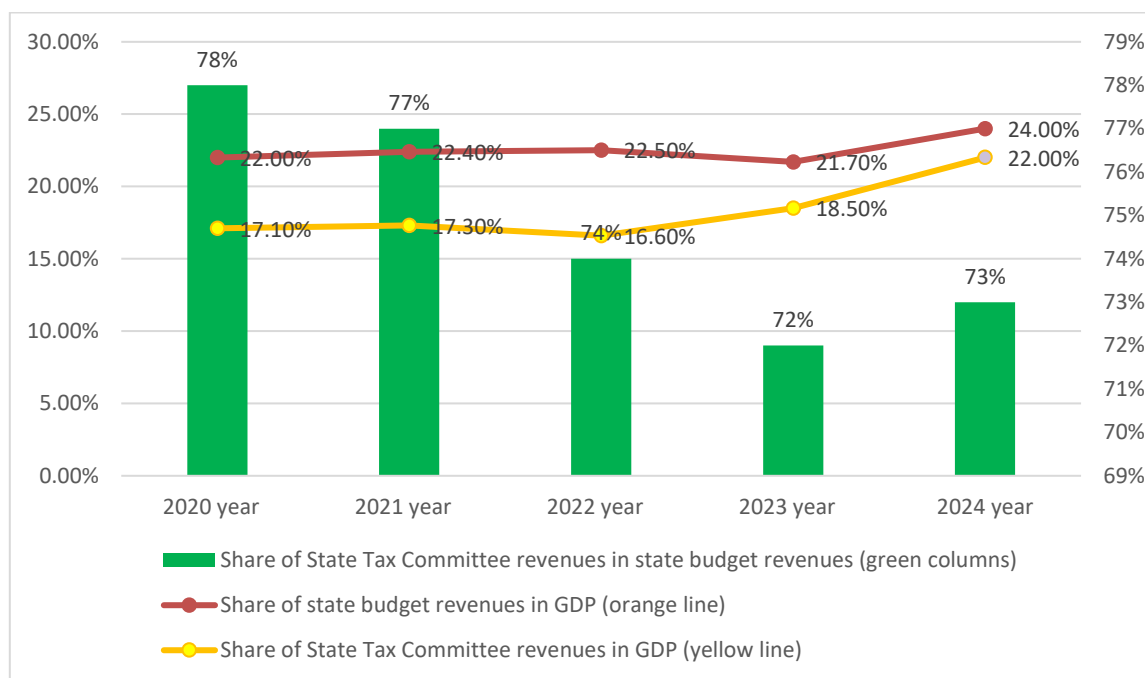

Figure 1. Share of State Budget Revenues in GDP in 2020–2024

This table presents an analysis of budget revenue collection as a percentage of GDP. In addition, considering the share of revenues collected by the State Tax Committee in the structure of state budget revenues, it can be noted that the share of state budget revenues in GDP amounted to 22% in 2020. In 2021 and 2022, this figure remained relatively stable, while in 2023 a slight decline was observed — to 21.7%. However, by 2024, it is projected to increase to 24%.

The optimal level of tax burden is determined individually, depending on the level of socio-economic development of each specific country. As a rule, in countries with market economies oriented toward the implementation of social policies, a higher tax burden is observed. In such cases, the decisive factor is the alignment between the level of tax burden and the degree to which tax revenues are redistributed by the state, particularly in terms of the volume of funds allocated to fulfill social functions. Consequently, a high tax burden in such contexts is considered justified.

According to data on the share of revenues collected by the State Tax Committee in GDP, this figure was 17.1% in 2020 and slightly increased to 17.3% in 2021, then declined to 16.6% in 2022. However, in the following two years, growth has been observed, and according to forecasts, it is expected to reach 22% by 2024. This indicates an improvement in economic activity, increased effectiveness of tax policy, and a greater contribution to gross domestic product.

As for the share of the State Tax Committee's revenues in the structure of the state budget, a gradual decrease is noted — from 78% down to a projected 73% in 2024. This may indicate a more diversified distribution of government revenues and an increasing role of other revenue sources in the budget.
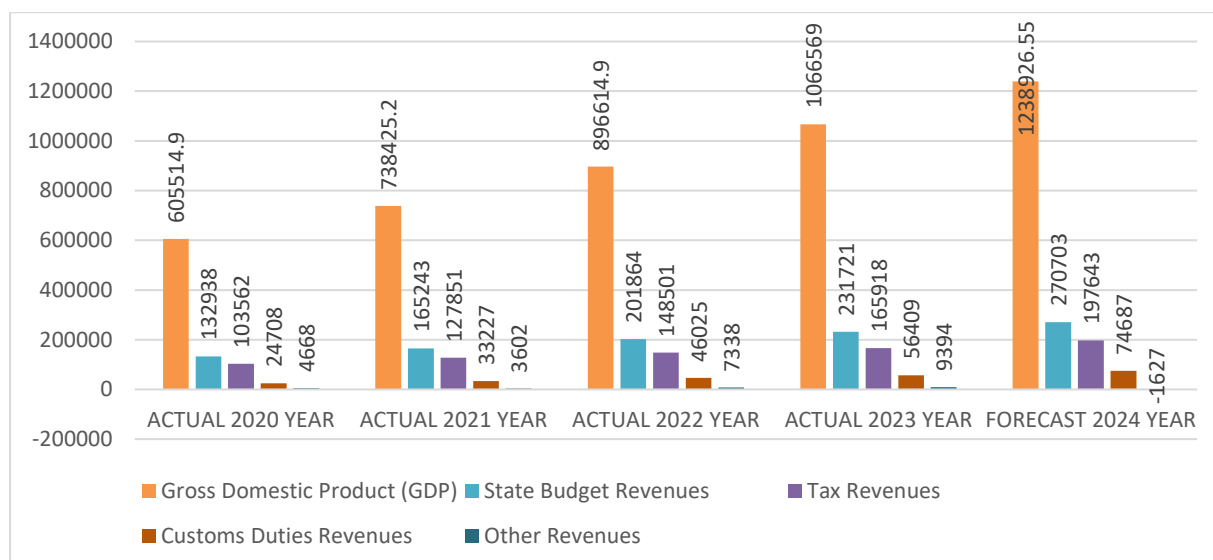

Figure 2. Structure of State Budget Revenues in 2020–2024

The analysis of the structure of state budget revenues of the Republic of Uzbekistan for the period 2020–2024 demonstrates a positive growth trend. From 2020 to 2024, state budget revenues in nominal terms nearly doubled — from 132.938 trillion UZS to 270.703 trillion UZS. In particular, revenues collected by the State Tax Committee increased from 103.562 trillion UZS to approximately 197.643 trillion UZS in 2024, reflecting an increase of nearly 91%. Similarly, revenues collected by the State Customs Committee grew from 24.708 trillion UZS to 74.687 trillion UZS — an increase of approximately 202% in nominal terms. However, for a more in-depth analysis of these trends, it is advisable to use the gross domestic product deflator and conduct the analysis in real terms.

In the period from 2022 to 2024, there has been a relative stabilization in the differences between GDP forecast indicators and budget projections. For example, in 2022 the GDP forecast stood at 122%, while the budget target dropped to 115%. For 2024, the GDP forecast is projected at 127%, and the budget target at 125%. This reflects a drive toward achieving economic stability and a convergence of budgetary indicators with forecasts. This trend demonstrates the effectiveness of macroeconomic policy and the maintenance of high levels of economic growth.
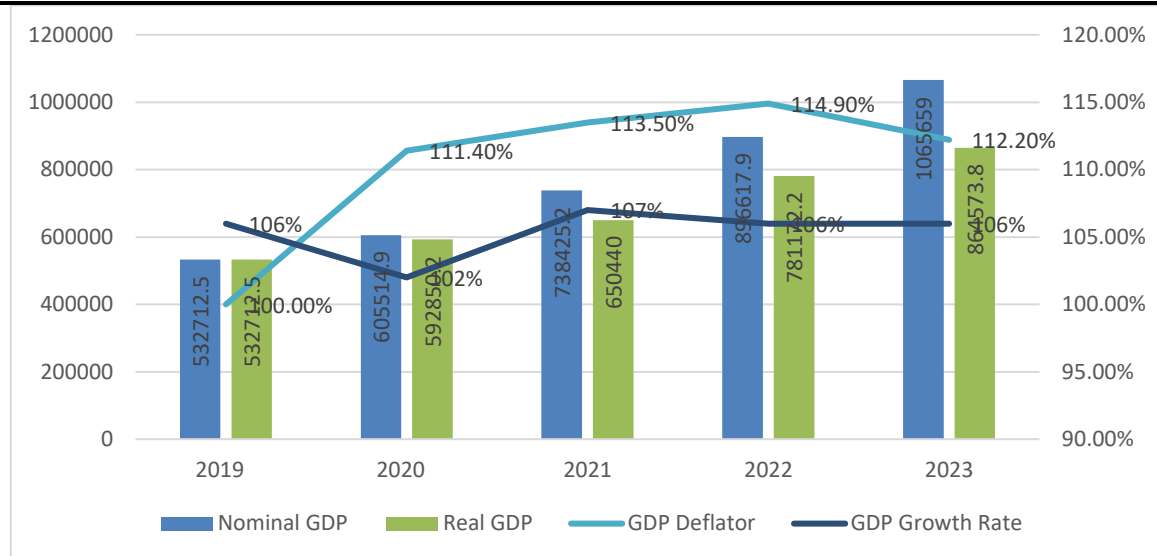
Figure 3. Analysis of Real and Nominal GDP Indicators for 2019–2023

Based on this figure and the previous tables, it is important to highlight the interrelation between real and nominal growth of gross domestic product (GDP), the GDP deflator, and the growth rates, emphasizing their mutual dependence.

Nominal GDP indicators demonstrate annual growth: in 2019, nominal GDP amounted to 532,712.5 million UZS, and by 2023, this figure had reached 1,066,569.0 million UZS — nearly doubling. However, although real GDP indicators (in 2019 prices) also increased, their growth rates were significantly lower compared to the nominal values. This reflects the difference caused by rising prices — in other words, inflation. For example, in 2020, real GDP amounted to 543,550.2 million UZS, which represents only a modest increase compared to 2019, while nominal GDP during the same period grew much more substantially.

Conclusion

The conducted analysis shows that state budget revenues play a crucial role in the social and economic development of regions. Ensuring the financial independence of regions, fair distribution of budget funds, and diversification of revenue sources are essential conditions for achieving economic growth. Under current conditions, enhancing the potential of local budgets, expanding the tax base, and implementing effective financial management are considered key factors for ensuring regional stability.

At the same time, there are existing problems such as improper formation of budget revenues, regional imbalances, and low economic activity in certain areas. All of these contribute to socio-economic disparities between regions. Addressing these issues requires a systematic and targeted approach.

The main factors influencing state budget revenues are closely interconnected. Among the most significant are the rates of economic growth, the equitable distribution of tax policy across different categories, diversification of production sectors, and the level of inflation. To maintain a balance among these factors, it is necessary to create a favorable domestic environment, improve external trade conditions, attract foreign investment, and reduce

economic disparities between regions. Such an approach enables the country to achieve economic growth and ensures effective management of tax revenues within the state budget. One of the key factors for the long-term and sustainable growth of budget revenues is an objective assessment of tax potential and its rational use in the planning process. By applying additive, regression, or structural methods (or a combination of them), it is possible to identify the actual revenue base for each region, sector, or type of tax.

The following proposals have been developed to increase state budget revenues:

1. Development of regional tax potential:
   Assessment of available resources and economic opportunities in each region to identify and develop new sources of tax revenues.
2. Strengthening the financial independence of local budgets:
   Expanding the regions' capacity to implement their own financial policies by granting greater autonomy to local budgets.
3. Stimulating economic activity:
   Increasing regional budget revenues through the development of entrepreneurship, attraction of investments, and creation of new jobs.
4. Implementation of fair distribution mechanisms:
   Improvement of the system for allocating budgetary funds among regions, taking into account their needs and level of development.
5. Enhancing the efficiency of financing:
   Strengthening the system of monitoring and analyzing the effectiveness of budget fund utilization in each region.
6. Development of interregional cooperation:
   Establishment of mechanisms for interregional financial cooperation aimed at supporting economically underdeveloped regions.

References:

1. Bev Dahlby, The Marginal Cost of Public Funds: Theory and Applications. MIT Press. 2008
2. Bhuiyan, S., & , S. (2018). Medium-Term Budgetary Framework for Fiscal Efficiency: A Conceptual Analysis of Bangladesh Case. Journal of Public Administration and Governance. https://doi.org/10.5296/JPAG.V8I4.13850.
3. Bird, R. M. (1970). Taxation and Development. Cambridge, MA: Harvard University Press.
4. Chakrabarty, T.K., and Varghese, W. (1982). The Government of India's Budget Estimation: An Analysis of the Error Components. Reserve Bank of India Occasional Papers, 3(2).
5. Chakraborty, L. S., & Sinha, D. (2008). Budgetary forecasting in India: Portioning Errors and Testing for Rational Expectations. Working Paper No. 2008(7538), MPRA
6. Cho, Y. (1989). FINANCE AND DEVELOPMENT: THE KOREAN APPROACH. Oxford Review of Economic Policy, 5, 88-102. https://doi.org/10.1093/OXREP/5.4.88.