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# BUDGET ACCOUNTING REFORMS IN UZBEKISTAN AND THEIR SIGNIFICANCE

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### **Abstract**

The article examines the reforms being carried out in the field of budget accounting in Uzbekistan and their significance. In the course of the study, we will discuss how the budget accounting system is being modernized to make it more convenient, understandable, and effective. This will help bring it into line with international standards, including International Accounting Standards (IAS) for the public sector. We will also consider how budget expenditure accounting, control, and analysis are carried out. We will analyze how reforms contribute to increasing economic efficiency, making the system more transparent, combating corruption, and developing international cooperation. During the discussion, we will consider the prospects for the development of the budget accounting system in Uzbekistan. In particular, we will talk about the application of artificial intelligence and big data analysis, as well as the introduction of innovative approaches such as "civil budget."

**Keywords:** Budget accounting, financial reforms, Uzbekistan's economy, budget expenditures, accounting system, public funds, transparency, efficiency.

### **INTRODUCTION**

In the context of globalization and instability of the world economy, the economy of each country, including the Republic of Uzbekistan, is experiencing significant effects of these processes. In this regard, optimization of budget policy and improvement of budget accounting are becoming priorities.

In recent years, Uzbekistan has been undergoing reforms in the field of public finance management aimed at modernizing budget accounting and reporting in



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accordance with international standards. These reforms are aimed at increasing the openness, transparency and efficiency of public finances.

Budget accounting is a powerful financial tool that allows you to fully, reliably and timely reflect the execution of the state budget. Reforms in the field of budget accounting in Uzbekistan are becoming particularly important, as it is necessary to ensure the rational and targeted use of public financial resources. In the context of the active development of economic relations, the introduction of digital technologies and integration into the international financial system, the existing accounting system does not always meet modern requirements. In this regard, it is necessary to reform the budget accounting system. The modernization of the budget accounting system will significantly improve control over the execution of the state budget, prevent corruption and increase the efficiency of using budget funds.

Improving the accounting and reporting system will increase the accuracy and responsibility in planning, allocating and controlling budget resources, which, in turn, will contribute to achieving better results in economic activity.

In addition, Uzbekistan's active cooperation with international financial organizations, increasing public debt and growing amounts of grants require that the country's budget accounting system comply with International Public Sector Accounting Standards (IPSAS) [1]. This will allow Uzbekistan to increase its investment attractiveness, strengthen its position in international ratings and ensure the stability of public finances [3].

In modern society, state power plays a key role in the formation and development of the economic structure. The reforms carried out within the framework of economic policy, as well as regulatory mechanisms, are the main factors determining the direction of economic development. One of the key instruments enabling the State to implement economic and social regulation is the financial mechanism, which is based on the financial system. The central place in this system is occupied by the state budget.

In today's world, where every country strives to take its place in the global economy, the topic chosen for discussion is becoming particularly relevant. The economic stability of a State is inextricably linked to its internal financial



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stability, and this relationship is particularly evident in the field of budget accounting.

Budget accounting, functioning through the financial system, plays a key role in the formation of centralized state funds, which, in turn, affects the formation of the state budget. It is also the basis for the effective work of government agencies and institutions, allowing them to perform their functions efficiently.

Changes aimed at optimizing the organization and improving budget accounting should be focused on improving the quality of life of the population and the effectiveness of government spending. This can be achieved by combining the most important areas for society. As part of the budget accounting reform, it is planned to introduce changes aimed at improving the soundness of budget planning and allocation.

Currently, the efficient and rational use of public funds allocated for the maintenance of non-manufacturing industries is a key factor ensuring the sustainability of the economy. The organization of high-quality budget accounting is becoming an important component of achieving this goal.

Thus, reforms in the field of budget accounting in Uzbekistan play an important role. They contribute to the transition to a new level of public finance management, which makes it possible to use budget resources more efficiently and support priority areas of socio-economic development.

### **LITERATURE ANALYSIS**

During our discussion, we will use the results of scientific research, work and development of experts in this field.

First of all, we will consider the definition of "budget accounting", which was given in the order of the Minister of Finance of the Republic of Uzbekistan "On approval of the Budget Accounting Standard of the Republic of Uzbekistan (NBS No. 1) "Accounting Policy" [2]. In this document, budget accounting is defined as "an orderly system of collecting, registering and summarizing data on the state of assets and liabilities in monetary terms, which are taken into account when executing budgets of the budgetary system, as well as operations that modify these assets and liabilities".



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Based on international practice and, in particular, on the definition given in the Budget Code of the Republic of Uzbekistan, the following definition can be given: "Budget accounting is a continuous and organized process of collecting, registering and summarizing information in monetary terms on the state of financial and non-financial assets, liabilities and financial results, which is carried out by participants in the budget process" [1].

In their textbook "Budget Accounting and Reporting", Russian researchers provide a more detailed description of budget accounting. They define it as the process of collecting, registering and systematizing information about the status of assets and liabilities, as well as transactions that lead to changes in these assets and liabilities [5].

Budget accounting covers financial and non-financial accounting of state and municipal structures, such as government authorities, management of state extra-budgetary funds, territorial management bodies of state extra-budgetary funds, local governments and budgetary institutions created by them [6].

The textbook "Budget Accounting", authored by M. A. Ostanakulov, provides the following definition: "Budget accounting is a system for collecting and analyzing information on the implementation of the state budget [7]. It includes all operations related to budget execution and provides information about its current status. Budget accounting shows how different sectors of the economy interact with the state budget.

In banks, accounting accounts reflect the funds, revenues and expenses of the budget, as well as funds and reserves that are created during the budget execution process. In addition, the material assets of budget organizations are recorded in the budget accounting" [8].

Another group of researchers from our country, I. N. Kuziev, Sh. V. Ganiev and A. S. Ramazanov, in their textbook "Budget Accounting and Control", propose the following interpretation: "Budget accounting and control is an orderly system of collecting, recording and summarizing data on the value of assets and liabilities in monetary terms, which are used in the execution of budgets of the budgetary system" [9].

It follows from the above that budget accounting is not only a system of registration and reporting, but also serves as the basis for monitoring the budget



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process, ensuring transparency of financial activities and effective organization of public financial management.

The term "budget accounting" has the same meaning in both national and international sources. It describes a unified system designed to register the movement of budget funds, monitor them, and prepare reports. The analyses conducted in this area are aimed at strengthening the theoretical foundations of budget accounting and improving practical management mechanisms.

### **RESEARCH METHODOLOGY**

In this work, the methods of scientific generalization, logical reasoning, data comparison and classification were used. To strengthen the theoretical and methodological basis of the research, we studied information from a variety of sources: industry publications, scientific papers, textbooks, methodological guidelines and materials from scientific conferences. During the research, we applied a systematic approach.

### **RESULTS**

Budget accounting is the most important tool for managing public finances, ensuring transparency, efficiency and targeted use of budget funds.

After gaining independence, Uzbekistan actively began to implement reforms in the economic and financial spheres. One of the priorities was the improvement of the budget accounting system. In recent years, the country has implemented a number of reforms aimed at creating a transparent and accountable financial management system that meets international standards.

Considering the importance of budget accounting for the economic development of the state and its features, it is necessary to emphasize its key role in the process of formation and distribution of financial resources accumulated in budgets of various levels.

Currently, reforms in the field of public administration are being actively carried out in our country, including transformations in the field of budget accounting. However, to assess the effectiveness of these reforms, it is necessary to analyze the process of formation and development of internal budget accounting, as well as compare it with the practice of foreign countries.



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The budget of any state is the main financial plan, which serves as a tool for accumulating, distributing and using financial resources for the implementation of public policy [10-11].

The budget accounting rules applied worldwide are aimed at ensuring transparency and compliance with the requirements for the content of financial statements. These rules establish the basis for the formation of accounting statements, allowing you to compare information on the activities of various budget organizations for different accounting periods.

In budget accounting, as in accounting, there are two main areas: accounting for income and expenses. However, there is a significant difference: in budget accounting, income accounting is directly linked to the state budget, which makes cost accounting more important and a priority.

Cost accounting is an integral part of financial planning and plays a key role in ensuring the stability and efficiency of the public sector. It promotes transparency and accountability of budget spending [12]. Proper and timely accounting of expenses allows the state to effectively control its expenses and optimize them, avoiding unjustified use of budget funds and preventing corruption schemes.

The expenses of budgetary organizations are an important part of their activities, closely related to the performance of their assigned functions. These expenses reflect all the costs necessary to achieve government objectives and improve the efficiency of government agencies.

The cost accounting of budgetary institutions is based on the amount of funds provided for in the cost estimates for the current fiscal year. The cost estimate is a document that is drawn up and approved by the institution itself or by the recipient of budget funds for the financial year. It reflects all the budgetary allocations provided for this institution by expenditure items [13].

One of the key elements of budget accounting is the accounting of expenses in budget organizations. Its main components are:

- Cost planning;
- Accounting for actual expenses;
- Cost analysis;



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- Cost control.

Employee salaries, social benefits, and related taxes are the most important budget items. They directly affect the retention of qualified personnel who ensure the effective functioning of the organization.

These expenses, including salaries and various allowances, are taken into account not only in the current budget period, but are also planned for the long term, taking into account wage growth and inflation.

Payroll taxes also play a significant role, as they reflect the interests of both employees and the state, although their goals differ.

In addition, the maintenance and operation of property and equipment play a key role in ensuring the smooth operation of the organization. These expenses will include the repair of premises, maintenance, rental, updating of computer equipment and software, as well as the purchase of office equipment and other necessary materials.

The purchase and storage of property play an important role in strengthening and expanding the company's potential. This expense item includes the purchase and renovation of technical equipment, buildings, transportation, and other resources that enhance the efficiency and quality of services.

## DISCUSSION

Financing of research, development, programs and projects is a significant part of the organization's social budget. These expenses are aimed at implementing various initiatives aimed at improving people's lives and developing society as a whole.

In the public sector, cost accounting plays a key role in controlling the flow of public funds. It ensures their targeted and legitimate use, and also allows you to evaluate the effectiveness of programs and projects, predict the future and optimize budget expenditures.

Openness and transparency in the management of public finances are key factors contributing to strengthening citizens' trust in government. People should be able to control what taxes they pay are used for, and how these funds are spent. Evaluating the effectiveness of budget projects also plays an important role in



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this process. All this contributes to a more transparent and democratic management of public finances.

Cost analysis helps the government evaluate the results of government programs, identify problem areas, and develop measures to improve them. Such an analysis helps to optimize costs and direct resources to the most significant and important areas.

Without accurate data on expenditures and their effectiveness, the Government cannot make informed decisions and effectively manage its finances.

Cost analysis not only allows us to control current costs, but also serves as the basis for developing long-term development plans. It helps to optimize budget processes, which, in turn, ensures the stability and sustainability of the economy. The reforms carried out in the field of accounting for budget expenditures are of great importance in several aspects:

**1. Economic efficiency.** These reforms are aimed at optimizing government spending, rational allocation of budget funds and improving the quality of financing socio-economic programs. Due to this, software and budget support has become a more effective tool for improving the quality of public services.

**2. Openness and accountability.** The use of electronic systems and open data portals has significantly increased the transparency of budget processes. This helped to strengthen the confidence of citizens and expand their participation in the discussion of budget policy.

**3. Compliance with international standards.** The transition to IPSAS principles has significantly simplified interaction with foreign investors and international financial organizations, which has increased the investment attractiveness of the country.

**4. Fight against corruption.** The automated budget system and enhanced internal control have reduced the risk of misuse and embezzlement of budget funds.



**5. Problems encountered during the reforms.** Some difficulties have been identified in the process of implementing the reforms. One of the main problems was the shortage of qualified personnel. Some government agencies are unwilling to accept innovations, and there is also a lack of technical equipment. In addition, it turned out that changing the traditional approach to budgeting is not an easy task.

In the future, Uzbekistan plans to continue reforms in the field of budget accounting. The goal of these reforms is to fully adopt international standards. In addition, artificial intelligence and big data analysis will be actively implemented in budget management. It is also planned to implement the so-called "civil budget", which is a partial budgeting.

The reforms in the field of budget accounting carried out in Uzbekistan are important steps towards a deep modernization of the public finance management system. They are aimed at ensuring transparency, efficiency and targeted use of state budget funds. In turn, this has a positive impact on economic growth, social justice and the improvement of the public administration system as a whole.

The transition to IPSAS standards, the introduction of electronic budgeting and programmatic budgeting contribute to the fact that the budget accounting system increasingly meets international standards.

However, in order to maximize the impact of the ongoing reforms, it is necessary not only to further strengthen the technical and human resources base, but also to improve mechanisms for increasing responsibility, as well as the active participation of all sectors of society in the transformation process.

Further improvement of the budget accounting system remains a key aspect for ensuring stable economic growth in Uzbekistan and the development of a modern state apparatus.

## **CONCLUSION**

In conclusion, I would like to emphasize the importance of budget accounting in the economic development of the country. Within the framework of this study, only some aspects of cost accounting in the framework of budget accounting were considered. Based on the analysis, key principles have been formulated,



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which, in our opinion, are fundamental for effective budget accounting and, in particular, for cost accounting.:

**1. Transparency and openness of information.** It is crucial to ensure that cost information is accessible to the public and a wide audience.

**2. Compliance with budgetary discipline.** Cost accounting should help monitor compliance with budgetary discipline and prevent misuse of public funds.

**3. Efficiency and effectiveness.** Cost accounting should be aimed at achieving accurate results and efficient use of budgetary resources.

**4. The control and auditing aspect.** The cost accounting system should include mechanisms for monitoring and auditing the use of public funds, which will ensure their rational and responsible use.

Budget accounting is a powerful financial planning and control tool that is used to track expenditures in the public sector. The introduction of budget accounting helps to ensure transparency and responsibility in the spending of public funds, as well as helps to effectively use budget resources and achieve concrete results. Proper and timely budget accounting is a prerequisite for the successful implementation of government programs and projects. Without proper accounting of expenditures in the framework of budget accounting, the state will not be able to effectively manage its finances and achieve the desired results in its activities.

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