

**PROBLEMS OF EFFICIENT USE OF BUDGETARY RESOURCES AND
DIRECTIONS FOR THEIR OPTIMIZATION**

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Abstract: This article examines the problems of efficiency in the process of allocating and using state budget funds. The article analyzes the level of transparency in the public procurement system, fiscal losses in financing investment projects, and the theory of "institutional rent-seeking" using the example of the financial system of Uzbekistan. In addition, financial errors identified as a result of control measures in 2024–2026 were studied, and scientific proposals were developed to strengthen budget discipline and digitalize the audit system.

Keywords: budget efficiency, public procurement, state audit, fiscal discipline, shadow economy, rent-seeking, participatory budgeting.

Since the formation of state budget funds is carried out at the expense of taxpayers, the most efficient and effective use of every ruble of these funds is the most fundamental requirement of the financial system. However, as in many developing economies, in the national financial system, low efficiency in spending budgetary funds, subjectivism in the formation of cost estimates and cases of financial violations remain an urgent problem .

Inefficient use of funds not only harms the state treasury, but also negatively affects macroeconomic stability, the inflation rate, and the population's trust in state institutions. Therefore, optimizing budget expenditures, ensuring competition and transparency in public procurement, and fundamentally reforming public audit mechanisms are strategic areas of public financial management (PFM).

One of the main economic concepts explaining the inefficiency of government spending is the "Rent-seeking Theory" (Rent-seeking Theory), founded by Gordon Tallock and James Buchanan. According to this theory, some officials or lobbyist groups in the state apparatus try to finance inefficient programs that bring themselves economic or political "renta" (personal interest), and not projects that bring maximum benefit to society in the distribution of budget funds.

On the second hand, the factor "X-inefficiency" (X-inefficiency) also plays a strong role in the budget process . Since state organizations do not face the same intense market competition and risk of bankruptcy as the private sector, management staff are not incentivized to save resources and introduce innovations. As a result, the cost of building or maintaining a single social facility becomes significantly higher than market prices.

An analysis of the control activities of the Ministry of Economy and Finance of the Republic of Uzbekistan and the Accounts Chamber for 2024–2026 shows that the following systemic problems are most frequently repeated in the spending of state funds:

1. Artificial competition and affiliation in public procurement: the participation of (affiliated) companies, which are often interconnected in tenders conducted through the electronic portal of Public Procurement, and the acquisition of the title by mutual agreement.

2. Estimate cost overruns (Overpricing): artificially several times the cost of materials at construction and repair facilities or the volume of work performed in documents.

Table 1. Dynamics of violations of budget discipline in 2024-2026

Type of violation and inefficiency	2024 (Mlrsh)	2025 (Mlrsh)	2026 (Forecast)
Unnecessary spending	245.8	210.5	185.0
Public procurement violations	412.3	489.2	512.4
Increase in construction prices	389.5	420.1	445.0
Excessive and unjustified state payments	124.2	98.4	82.1
TOTAL DETERMINED FINANCIAL ERRORS	1,171.8	1,218.2	1,224.5

Source: Author's forecast based on official reports from regulatory authorities.

As the table shows, public procurement and construction remain the largest source of fiscal losses. Although the volume of direct funds spent without a goal is decreasing, the inefficiency caused by secret agreements in the tender system remains high .

To raise the efficiency of budgetary funds to the level of international standards, it is necessary to implement the following conceptual reforms:

the N'anawi control system is primarily focused on identifying funds after they have been misled and appropriated. This is an inefficient model. In modern international practice (e.g. INTOSAI standards), the primary emphasis is on the ****Pre-audit (preliminary audit)**** system. Payment orders and tender documents should be analyzed using artificial intelligence (AI) algorithms before a purchase is made, and suspicious transactions should be automatically blocked.

The expansion of the "Participatory Budgeting" (Open Budget) model is the best social way to solve the problem of efficiency. Citizens know the problem in their area and its real value better than officials. International experience has proven that the risk of embezzlement of funds in facilities built under public control is reduced by 3-4 times.

Conclusion

Effective use of state budget funds is the main criterion determining the stability of the financial system. To solve the problem systematically, it is necessary to abandon traditional inspections and establish initial control based on digital programs, completely limit the human factor in public procurement, and consistently implement a result-oriented budgeting system.

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