

The Role of Extrabudgetary Funds in the Management of Budgetary Organizations

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Abstract: This article examines the role and significance of extra-budgetary funds in the management of budgetary organizations. Extra-budgetary funds provide additional financial resources to implement strategic projects and improve the quality of services, which is especially important in conditions of limited government budgets. The sources of the formation of extra-budgetary funds, such as commercial activities, donations and investments, as well as the directions of their use, including infrastructure development, scientific research and social programs, are considered.

Keywords: Extra-budgetary funds, budgetary organizations, financial management, accounting automation, digital technologies, cost optimization, financial literacy, transparency, control.

Introduction

In modern conditions of dynamic economic development, budgetary organizations are faced with a growing need for additional financial resources to ensure sustainable growth and implement strategic projects. In this context, extra-budgetary funds become an important element of the financial system of budgetary organizations. They provide the opportunity to receive additional income outside the state budget, which allows you to flexibly respond to current needs and strategic objectives.

Extra-budgetary funds are generated from various sources, such as income from commercial activities, sales of goods and services, donations, sponsorships and investments. These funds are used to finance projects and programs that cannot be fully covered by the state budget, including infrastructure development, scientific research and social support. Thus, extra-budgetary funds play an important role in ensuring financial sustainability and development of budgetary organizations.

Effective management of extra-budgetary funds is a key factor for achieving financial stability and successful functioning of budgetary organizations. However, managing these funds poses a number of challenges and problems. The main ones include the need to ensure transparency, targeted use and effective control over the expenditure of extrabudgetary funds. Irregularities in fund management can lead to financial losses and decreased trust in government authorities.

In recent years, with the development of digital technologies, new opportunities have begun to emerge to improve the management of extra-budgetary funds. Information technologies can significantly improve the processes of accounting and control over the expenditure of funds, automating many operations and ensuring higher accuracy and efficiency. The introduction of automated accounting systems such as UzASBO, electronic invoices and other digital tools helps improve transparency and efficiency in fund management.

The purpose of this study is to study the role and significance of extra-budgetary funds in the activities of budgetary organizations, as well as to analyze methods and tools aimed at optimizing their use. Particular attention is paid to the introduction of modern information technologies to improve accounting and control over extrabudgetary funds. During the study, recommendations will be developed to improve the management of extra-budgetary funds, which will improve the financial stability and efficiency of budgetary organizations.

Literature review

Management of extra-budgetary funds in budgetary organizations is an important aspect of the financial system, contributing to the achievement of strategic goals and sustainable development. In Uzbekistan, taking into account the development strategy for 2022-2026, approved by Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. PF-60, special attention is paid to improving the management of financial resources, including extra-budgetary funds. In this context, the introduction of modern methods and information technologies that can improve the transparency and efficiency of fund management is critical. [1]

Shavkatjonov M.Z. emphasizes that extra-budgetary funds play a key role in financing projects that cannot be fully covered by the state budget. He points to the need to establish independent oversight bodies and conduct regular audits to ensure transparency and prevent corruption. In his opinion, this is especially important in the context of modern economic reforms aimed at improving budget control and optimizing the use of funds. [8]

Eshnazarov S.T. notes that reforms in the system of state budget control of Uzbekistan have significantly changed approaches to the management of extra-budgetary funds. He focuses on the need to improve the regulatory framework and introduce new control methods to improve the efficiency of the use of extrabudgetary funds. Eshnazarov also emphasizes that effective management of these funds allows budgetary organizations to respond more flexibly to financial challenges and successfully implement their projects. [7]

Yusupova M. O. draws attention to the importance of the treasury mechanism in the management of budgetary funds, including extra-budgetary funds. She argues that recording legal and financial obligations through the treasury provides reliable control over the intended use of funds. Yusupova also emphasizes the role of automation of accounting and control processes, which can significantly increase the transparency and reliability of the management of extra-budgetary funds.

Ostonokulov A. and Ramazanov A. highlight the importance of integrating digital technologies into the process of managing extra-budgetary funds. They indicate that the use of the UzASBO software package for accounting and control allows you to automate financial transactions, improve data quality and simplify document flow. This, in turn, contributes to more efficient management of extrabudgetary funds and a reduction in errors associated with manual data processing. [4]

Ramazonov A.S. focuses on methods of formation, accounting and control of extra-budgetary funds. He emphasizes that extra-budgetary funds are an important source of additional funding for budgetary organizations, especially for the implementation of strategic projects. Ramazonov argues that automation of accounting and control, as well as increasing the financial literacy of employees, are key factors for the effective management of these funds. He also notes that the use of information technology helps to increase the transparency and reliability of the management of extrabudgetary funds. [3]

Taken together, these studies emphasize that effective management of extra-budgetary funds requires not only a clearly developed regulatory framework, but also the active implementation of modern information technologies. Automation of accounting and control processes allows you to improve transparency, reduce the likelihood of financial violations and increase the efficiency of decision-making. In addition, it is important to pay attention to training and development of employees so that they can effectively manage extra-budgetary funds in a rapidly changing economic environment.

The role of extra-budgetary funds in budgetary organizations

Extrabudgetary funds are an important element of the financial structure of budgetary organizations, providing additional resources for their activities. They play a key role in providing the financial flexibility needed to implement strategic projects and improve the quality of services provided. This section discusses the sources of formation of extra-budgetary funds and the directions of their use.

Extra-budgetary funds are formed from various sources, which provide budgetary organizations with additional financial opportunities. Main sources include:

Commercial activity: Revenues from sales of goods and services provided by budgetary organizations often serve as a significant source of extrabudgetary funds. For example, educational institutions can receive income from paid courses, and medical institutions can receive income from the provision of paid medical services. These incomes allow organizations not only to cover their operating costs, but also to invest in infrastructure development and improving the quality of services.

Donations and sponsorships: Financial support from individuals, companies and non-governmental organizations is also an important source of extra-budgetary funds. Donations and sponsorships can be used for specific projects or general support of the organization's activities. Often such funds are used to implement socially significant projects, including supporting the poor or developing scientific research.

Investment activities: Off-budget funds can also be formed from investment income. This may be income from placing temporarily free funds in financial instruments or participating in investment projects. For example, cultural institutions can invest their funds in cultural projects or events, which subsequently generate income and contribute to the development of their activities.

Grants and subsidies: Receiving grants and subsidies from international organizations, government programs or private foundations provides budgetary organizations with additional financial resources for the implementation of specific initiatives and projects. These funds can be used for innovation, research or improvement of social services.

Use of extrabudgetary funds

Extra-budgetary funds play a critical role in the support and development of budgetary organizations, allowing them to implement projects and programs that cannot be fully financed from the state budget. The main areas of use of extrabudgetary funds include:

Infrastructure development: Extrabudgetary funds are often used to build and upgrade infrastructure such as buildings, laboratories, medical facilities and educational complexes. This allows us to improve working conditions and service provision. An example would be the reconstruction of university campuses or the renewal of medical equipment in hospitals using extrabudgetary funds.

Support for scientific research and innovation: Financing scientific projects and research is an important use of extra-budgetary funds, especially in educational and scientific institutions. This contributes to the development of new technologies and solutions in various fields. For example, universities can use extrabudgetary funds to support research grants and scholarships for scientists and students.

Social support and improvement of the quality of services: Extra-budgetary funds can be used to implement social programs and initiatives aimed at improving the well-being of the population. This includes providing scholarships, helping the poor, organizing cultural and educational events. For example, health care organizations can use extrabudgetary funds to provide free health care services to the poor or fund programs to improve public health.

Ensuring financial flexibility: Off-budget funds allow organizations to quickly respond to unexpected financial needs and changes in the economic situation. This provides flexibility in resource management and helps maintain organizational sustainability. An example would be the use of off-budget funds to cover budget shortfalls during an economic downturn or to finance emergency repairs.

Thus, extra-budgetary funds provide budgetary organizations with additional financial resources to implement important projects and programs, improve infrastructure and quality of services. Effectively managing these funds allows organizations to more flexibly and efficiently carry out their missions and achieve strategic goals.

Problems and challenges in the management of extra-budgetary funds

The management of extra-budgetary funds in budgetary organizations is accompanied by a number of difficulties and challenges that can significantly affect the efficiency of their use. One of the main problems is ensuring transparency and targeted use of extrabudgetary funds. Unlike government budgetary allocations, which are subject to strict rules and procedures, extrabudgetary funds often have more flexible terms of use. This creates the risk of their misuse, which can lead to financial losses and decreased trust in the organization.

Lack of transparency in the use of extra-budgetary funds also makes it difficult to control and audit these funds. In conditions of insufficient control and supervision, cases of abuse and corruption are possible. Budgetary organizations, faced with difficulties in tracking and managing all the flows of extrabudgetary funds, may miss important aspects that affect the effectiveness and appropriateness of their use. This is especially true in conditions of economic instability, when every mistake can lead to significant financial losses.

Another important problem is the complexity of accounting and reporting on extrabudgetary funds. The introduction of modern information technologies and automated accounting systems often faces resistance from employees who are accustomed to working using outdated methods. This can lead to delays in the implementation of new systems and, as a result, to insufficient efficiency and accuracy in fund management. Moreover, the lack of a common standard or platform for accounting for extrabudgetary funds can complicate the integration and harmonization of data across different departments and levels of management.

Additional challenges arise from the need to adapt personnel to new technologies and management methods. Professional development and training of employees in the management of extra-budgetary funds requires time and resources. In conditions of limited budgets and resources, insufficient funds are often allocated to such programs, which further reduces the effectiveness of working with extra-budgetary funds.

Finally, it should be noted that there is a problem of insufficient financial literacy among employees responsible for managing extra-budgetary funds. Failure to properly assess financial risks and potential rewards can result in ineffective use of funds and missed opportunities for investment and development.

These problems and challenges highlight the need to find effective solutions and strategies to optimize the management of extra-budgetary funds. One of the key areas is the introduction and use of modern information technologies, which can significantly improve the processes of accounting and control over extrabudgetary funds.

Optimizing the use of extra-budgetary funds

Effective management of extra-budgetary funds requires the implementation of strategies that help optimize their use. This includes the use of modern information technology, the development of methods to improve accounting and control, and improving the financial literacy of employees. This section examines key aspects that contribute to optimizing the management of extra-budgetary funds in budgetary organizations.

Automation of accounting and control

One of the most significant steps in optimizing the management of extra-budgetary funds is the automation of accounting and control processes. The introduction of automated systems, such as UzASBO, provides budget organizations with tools for more accurate and efficient financial management. These systems allow:

- **Reduce errors:** Accounting automation reduces the likelihood of errors associated with manual data processing. This is especially important for organizations with a large volume of financial transactions, where each violation can lead to significant financial losses.
- **Increase the efficiency of data processing:** Automated systems provide faster processing of financial transactions, which allows timely management decisions to be made and improved control over the use of funds.
- **Ensure transparency and accountability:** The use of such technologies allows real-time tracking of the movement of funds, which significantly increases the transparency of financial transactions and the accountability of those responsible.

For example, the implementation of UzASBO in medical institutions has significantly improved control over the expenditure of extrabudgetary funds, reduced payment processing times and increased accounting accuracy, which ultimately contributed to improving the quality of services provided.

Digital tools for fund management

Electronic invoices and digital platforms play a key role in simplifying document flow and improving monitoring of the use of extrabudgetary funds. These tools help budgetary organizations:

- **Simplify document flow processes:** The transition from paper documents to electronic ones significantly reduces the time and costs of processing and storing documents. This also reduces the risk of losing or damaging documents and makes them easier to access.
- **Increase data accuracy and consistency:** Electronic systems minimize the possibility of human error and ensure data consistency across different departments and levels of management.
- **Improve monitoring and control:** Digital platforms allow real-time tracking and analysis of the use of extrabudgetary funds, which contributes to more effective control and timely detection of violations.

For example, the use of digital platforms for reporting in educational institutions made it possible not only to simplify the processes of accounting for income from commercial activities, but also ensured transparency and efficiency in fund management, which contributed to improving the financial condition of organizations.

Cost optimization methods

Optimizing the use of extrabudgetary funds also includes the development and implementation of strategies aimed at rational allocation of resources. This allows budget organizations to:

- **Identify and eliminate ineffective expenses:** Analyzing current expenses helps identify areas where cost reductions can be made without compromising the quality of services. This could include renegotiating supplier contracts, streamlining procurement processes or reducing administrative costs.
- **Redistribute resources to priority projects:** Rational distribution of extra-budgetary funds allows you to direct resources to the most important and strategically significant projects, ensuring their successful implementation and maximum impact on the development of the organization.
- **Use extra-budgetary funds to build reserves:** Creating financial reserves from extra-budgetary funds helps organizations cope with unexpected expenses and financial crises, providing sustainability and flexibility in resource management.

Optimization of expenses in public cultural institutions made it possible to redistribute funds for upgrading equipment and organizing new cultural events, which helped attract additional funding and improve the quality of services provided.

Improving financial literacy

One of the key factors for the successful management of extra-budgetary funds is increasing the financial literacy of employees responsible for their management. This includes:

- **Training and Development:** Regular training and development programs enable employees to learn new techniques and tools for managing extrabudgetary funds, which helps improve their competence and performance.
- **Development of strategic planning skills:** Financial literacy of employees helps them better understand and assess financial risks and opportunities, which is important for making informed management decisions and efficient use of resources.
- **Establishing a culture of financial responsibility:** Promoting financial responsibility and transparency among employees helps improve overall management and minimize misuse of funds.

The introduction of financial literacy programs in budgetary healthcare organizations has significantly improved the management of extrabudgetary funds, increased employee awareness of financial processes and reduced the number of financial violations.

Thus, optimizing the use of extra-budgetary funds includes a set of measures aimed at improving accounting and control, rational allocation of resources and increasing the competence of employees. The introduction of modern information technologies and optimization strategies allows budgetary organizations to more effectively manage their extra-budgetary funds and achieve their strategic goals.

Discussion and recommendations

Effective management of extra-budgetary funds requires the integration of both traditional approaches and modern methods such as information technology and strategic planning. The main conclusions drawn from the analysis show that automation of accounting and control processes, the use of digital tools for fund management and improving the financial literacy of employees play a key role in optimizing the management of extra-budgetary funds.

Firstly, automation of accounting and control can significantly reduce the number of errors and increase the efficiency of data processing. The introduction of systems such as UzASBO and the transition to electronic invoices provide a high degree of transparency and accountability, which is especially important to prevent misuse of funds.

Secondly, digital platforms and tools for monitoring and reporting help simplify document flow and improve data accuracy. This not only facilitates the process of fund management, but also allows organizations to quickly respond to financial challenges and improve their financial performance.

In addition, the development of strategies for optimizing costs and rational allocation of resources helps to effectively use extra-budgetary funds to implement priority projects and create financial reserves. This ensures flexibility and stability of budgetary organizations in conditions of economic instability.

It is also important to pay attention to employee training and development. Financial literacy and strategic planning programs develop the skills needed to effectively manage funds and strengthen a culture of financial responsibility within organizations.

Recommendations for improving the management of extra-budgetary funds include:

- It is recommended to introduce and actively use automation systems, such as UzASBO, to improve the accuracy and transparency of financial transactions.
- This also includes the transition to electronic forms of document flow, which significantly reduces administrative costs and improves process control.
- It is recommended to use digital tools to monitor and analyze financial flows, which allows for prompt and accurate fund management.

- Such platforms also help improve communication between different departments and levels of management.
- Develop strategies to identify and eliminate ineffective spending and reallocate funds to priority projects.
- Creation of financial reserves to ensure sustainability in conditions of economic uncertainty.
- Organize regular training and development programs for employees to enable them to effectively use new technologies and fund management techniques.
- Introduction of the principles of financial responsibility and strategic planning into the corporate culture of the organization.

These measures will help budgetary organizations more effectively manage extra-budgetary funds, improve financial stability and achieve their strategic goals.

Conclusion

In the modern economic environment, extra-budgetary funds are an important tool for budgetary organizations, providing additional financial resources for the implementation of strategic projects and improving the quality of services. Effective management of these funds allows organizations to remain flexible and quickly respond to changes in the economic situation, which is especially important in conditions of limited government budgets.

The study showed that extra-budgetary funds are generated from various sources, such as commercial activities, donations, sponsorships and investments. These funds are used to finance projects that cannot be fully covered by the government budget, including infrastructure development, scientific research and social programs. It is important to note that extra-budgetary funds provide the opportunity to implement initiatives that contribute to sustainable development and improve the quality of life in society.

However, managing extra-budgetary funds poses a number of challenges, such as ensuring transparency and targeted use of funds, the complexity of accounting and reporting, and the need to adapt staff to new methods and technologies. Problems of insufficient control and financial literacy can lead to misuse of funds and reduced management efficiency.

Optimizing the use of extra-budgetary funds requires an integrated approach, including the introduction of modern information technologies, the development of strategies for the rational allocation of resources and advanced training of employees. Automation of accounting and control processes, the use of digital platforms and tools for monitoring and reporting, as well as employee training help improve fund management and increase their efficiency.

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