STATE BUDGET ANALYSIS AND TO ACHIEVE LOW GOVERMENT DEBT WITH SOME INSTRUMENTS: ISLAMIC FINANCE AND PUBLIC-PRIVATE PARTNERSHIPS

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ABSTRACT

This article analyze situation of govermental debt in Uzbekistan and some countries. In the article are given some solutions to this problem such as Islamic fianancing instruments and public-private partnerships.

Keywords: state budget, goverment debt, islamic finance, budget deficit, sukuk, musharakah, mudaraba..

Introduction. State debt is the state's debt obligations to citizens, firms, organizations, banks, and foreign financial and credit institutions. A budget deficit occurs when the state cannot cover its expenses with its income, and it is covered by borrowing. The state debt is obtained by selling various securities, bonds, bonds, taking a loan from a financial institution (bank) and other different ways. The investment involved in the financial and real sector is not considered public debt. According to the payment period and term, there are types of public debt, short-term and long-term, as well as internal debt (the state owes to the economic subjects of the country itself) and external debt (debt to foreign countries, international organizations, etc.). Internal debt and its interest are paid in the national currency, and external debt and its interest are paid in another freely convertible international currency. The level of the state debt, that is, the debt burden, is measured by the ratio of the sum of the debt and its interest amount to the amount of the state budget, that is, it is determined by how much the payment obligation is equal to the budget. An excessive increase in public debt derails the economy, lowers the standard of living of the people (because the money needed to pay off the debt is collected in the budget by raising taxes), and slows down economic activity in the country. The increase in external debt threatens national independence, and to get rid of it, it is necessary to reduce investments in the development of the national economy and even sell a part of the national wealth abroad. Additional interest is paid on the foreign debt that is not paid on time, the interest charged is added to the debt and its amount increases further.

External debt, if properly channeled, contributes to sustainable development. Therefore, it is important to rationally manage the resources involved, carefully select projects, improve borrowing and lending practices, and establish transparency in these areas.

External debt is usually divided into public external debt and private sector external debt. State foreign debt - foreign debts attracted by the government or obtained under its guarantee. The external debt of the private sector, in turn, is the debt that the state has not undertaken.

Analysis of state debt in world countries and Uzbekistan

Argentina's economic problems stem from a combination of factors such as political instability, economic mismanagement, currency crises, and commodity price volatility. Structural problems such as high inflation, currency depreciation and income inequality have exacerbated the country's debt problems. According to the International Monetary Fund, the real budget deficit in this country is 10% of GDP, the public debt exceeds 400 billion dollars, which is more than 80% of nominal GDP.

In Greece, excessive government spending, tax evasion, corruption, and economic mismanagement fueled the debt crisis. Weak budget and tax discipline, unsustainable level of public debt and lack of structural reforms have increased the country's economic problems.

In general, an undue increase in the debt burden is usually caused by unhealthy conditions such as unsustainable borrowing practices, poor financial discipline and systemic governance deficiencies, weak rule of law, and high levels of corruption. It is no secret that the foreign debt of the Republic of Uzbekistan is increasing year by year. By the end of 2023, the foreign debt of Uzbekistan amounted to 29 billion 636 million dollars. In 2024, taking into account the loans involved, the amount of debt exceeded 30 billion dollars. Although the current situation is not considered extreme, there are enough risks (similar to the examples above). This requires innovative and alternative solutions that ensure inclusiveness. In recent years, reforms have been carried out in our country to study and introduce alternative financing mechanisms, but this is not enough.

The role of Islamic finance in the world financial market in reducing external debt and fighting against poverty is increasing year by year. Therefore, as an additional alternative financing, it is possible to offer a solution of innovative financing of infrastructures through the public-private partnership (PPP) system based on Islamic financial instruments. PPP is a catalyst for debt reduction.

Public-private partnership is a partnership that brings together public organizations and private enterprises for the financing and management of public projects, and such a partnership reduces the state's demand for external debt. A number of successful projects have been implemented in our country on the basis of public-private partnership. For example, several projects are being implemented with Masdar (UAE) based on a public-private partnership, which includes specialized facilities for the production of electricity from renewable sources.

Islamic finance's commitment to ethical principles, its focus on wealth redistribution, its provision of capital, its focus on adequate risk sharing, and its encouragement of real economic activity mean that it is a financial system that serves broader interests and promotes inclusiveness. For this reason, Islamic finance tools are widely used in many countries for the effective launch of PPP projects. The World Bank's 2017 report entitled "Implementation of Islamic Financing for Infrastructure Public-Private Partnerships" provides information on the wide use of Islamic finance instruments in financing infrastructure PPPs. In the field of PPP, Islamic financial instruments serve as the main means of forming the Sharia-compliant financing system.

These instruments include musharaka (joint venture), muzorabah (partnership), ijara (leasing), sukuk (Islamic bonds), muzorabah sukuk, exclusion and takaful (Islamic insurance). Musharaka and profit-sharing agreements under musharak provide cooperation between public authorities and private sector representatives, while lease facilitates the process of leasing assets, sukuk serving as Islamic bonds allow investors to support infrastructure enterprises and earn income from project revenues . Exemption agreements facilitate the construction and development of assets on pre-agreed terms. Takaful can be used to prevent related financial risks in the implementation of projects. In addition, financial instruments that combine Islamic social finance, cash waqf, with the principles of sukuk can also finance many projects of social importance.

For example, in 2008, Malaysia Airports Holdings Berhad (MAHB) entered into a joint venture with Turkish partners to expand and operate Istanbul's Sabiha Gökçen

International Airport, with project financing based on Islamic finance principles. Islamic banks and issuance of sukuk (Islamic bonds) were used for financing.

Similarly, MAHB has attracted the necessary funds from the private sector for the development of the Kuala Lumpur International Airport and the construction of new facilities based on the principles of Islamic finance. In this case, a company belonging to the Malaysian sovereign fund leased airport facilities from private sector partners for a certain period. In order for Islamic finance to be fully implemented and compete with the traditional financial system on equal terms, it is necessary to create a legal framework. It is appropriate to pay special attention to aspects of taxation in the draft laws on Islamic finance.

Accelerating the development of the Islamic Bond Law to facilitate the first and subsequent issuance and circulation of Islamic securities - sukuk and green sukuk is an urgent need of the day. The capital market is the food of the financial market, it will be useful to enrich it with Islamic securities.

When the time comes, it is worth mentioning that "Why has Islamic finance not developed in neighboring countries?" we need to get rid of those thoughts. Islamic finance is developing in Malaysia, Indonesia, Qatar, Great Britain and a number of other countries. Because successful countries have experience and clear models in this regard. I believe we should use and implement them. Regardless of whether it is a religious or secular state, many countries are using the benefits of Islamic finance today.

The goal is to build a strong financial market by achieving an inclusive and diversified financial market. For example, Islamic financing activity began in the UK in the 1980s, when the London Metal Exchange introduced Sharia-compliant overnight deposit facilities based on the principle of murabahah.

In 2004, Germany and in 2010, France implemented reforms to introduce Islamic securities - sukuk, and solved the issues of tax and taxation for Islamic finance fairly and positively. As a result of his studies and analysis, he realized that this is necessary in a society where 5 million Muslims live, and ensured the diversification of the financial market in the country. These opportunities opened opportunities for investment from Turkey and Arab countries.

The population of Uzbekistan will exceed 37 million people in April 2024, more than 90-95 percent of the population are believers of Islam. The country has great human resources. The demands and needs of the population are increasing day by day. Demand for Islamic finance products and services has increased significantly, and this opportunity should be used effectively. Fintech services and other online services are developing. Behind the border, others can take advantage of the opportunities we delay.

Islamic finance in Uzbekistan and Central Asia consists of Shariah scholars, jurists, experts in Islamic economics and finance, who study the market of Islamic finance in Uzbekistan, conduct research and research on new products and services, coordinate international standards on Islamic finance, it will be appropriate to pay attention to the establishment of a center that will determine its prospects.

In the introduction of Islamic finance, we should introduce an independent jurisdiction that is convenient for Islamic finance, like the path chosen by the UAE and Kazakhstan, that is, the establishment of free Islamic finance zones.

Conclusions and suggestions

On the basis of the above analysis and discussion, based on the scientific treatises and articles, it can be said that Islamic finance is one of the most reliable and suitable ways for Uzbekistan to get out of the global crisis. As a proof of this, it is worth saying that the global crisis during the crisis affected thousands of companies of the world to major countries, but only some financial institutions and countries that rely on Islamic finance felt the crisis much easier. . And most importantly, as mentioned above, a large part of our country belongs to the Islamic religion, and this, in its place, will be a big and main motivation for increasing the financial literacy of the people, for the money in the secret economy to return to the real sector, and it is important for alleviating the growing external debt problem and we can clearly say that it shows its role as an effective criterion.

Islamic finance is a financial system based on the principles and laws of Islam. Islamic finance is a system that includes regulation of financial practices, release of income, collection and review of zakat, financial calculations and other financial practices. Islamic finance requires fair and sustainable management of financial practices, equitable release of income, promotion of beneficial investments and support of beneficial activities. Islamic finance is based on the principles of justice, fairness and specialization in human financial relations and financial practices. These principles are aimed at ensuring stability and stability in the domestic and social life of people. Islamic finance requires adherence to the principles of humanity, respect, fairness and specialization in all financial practices.

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