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KEEPING ACCOUNTS WITH CREDITORS IN BUDGET ORGANIZATIONS



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Abstract: Accounting with creditors in budget organizations is an important aspect of financial control and accountability, especially in the conditions of the public sector of Uzbekistan. This article examines the regulatory frameworks, accounting practices and challenges faced by budget organizations in managing creditor relationships. It examines the legal and financial guidelines governing the settlement of accounts with creditors, the role of financial reporting in ensuring transparency, and measures aimed at preventing mismanagement or fraud. The study highlights the importance of sound debt management to maintain fiscal stability and strengthen confidence in public sector financial operations. With a detailed analysis of Uzbekistan's national regulatory and legal documents, financial management systems and practical examples from budget organizations, this article provides insights into best practices and trends in improving the state financial management system.

Key words: settlements with creditors, budget organizations, public sector finance, financial management, debt management, fiscal stability, accounting practice, state financial reporting, regulatory and legal frameworks.

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Annotatsiya: Byudjet tashkilotlarida kreditorlar bilan hisob-kitoblarni yuritish, ayniqsa, O'zbekistonning davlat sektori sharoitida moliyaviy nazorat va hisobdorlikning muhim jihati hisoblanadi. Ushbu maqolada byudjet tashkilotlari kreditorlik munosabatlarini boshqarishda duch keladigan me'yoriy-huquqiy bazalar, buxgalteriya hisobi amaliyoti va qiyinchiliklar o'rganiladi. Unda kreditorlar bilan hisob-kitoblarni yuritishni tartibga soluvchi huquqiy va moliyaviy ko'rsatmalar, shaffoflikni ta'minlashda moliyaviy hisobotning o'rni, noto'g'ri boshqaruv yoki firibgarlikning oldini olishga qaratilgan chora-tadbirlar ko'rib chiqiladi. Tadqiqot fiskal barqarorlikni saqlash va davlat sektorining moliyaviy operatsiyalariga ishonchni mustahkamlash uchun qarzni to'g'ri boshqarish muhimligini ta'kidlaydi. O'zbekistonning milliy me'yoriy-huquqiy hujjatlari, moliya boshqaruvi tizimlari va byudjet tashkilotlaridan amaliy misollar batafsil tahlil

qilingan holda ushbu maqolada davlat moliyasini boshqarish tizimini takomillashtirish bo'yicha ilg'or tajribalar va yo'nalishlar haqida tushunchalar berilgan.

Kalit so'zlar: Kreditorlar bilan hisob-kitoblar, byudjet tashkilotlari, davlat sektori moliyasi, moliyaviy menejment, qarzlarni boshqarish, fiskal barqarorlik, buxgalteriya amaliyoti, davlat moliyaviy hisoboti, me'yoriy-huquqiy asoslar.

Introduction

In contemporary public financial management, the efficient handling of accounts with creditors in budget organizations plays a pivotal role in maintaining fiscal discipline, ensuring the sustainability of public finances, and enhancing accountability. This is particularly true for Uzbekistan, a country that, over the past few decades, has undergone significant economic reforms aimed at modernizing its financial systems, improving budget execution, and enhancing governance within public institutions. As Uzbekistan continues to transition toward a more market-oriented economy, managing liabilities, particularly in relation to creditors, has become an increasingly complex task that requires both sound policy frameworks and effective accounting practices.

A fundamental element of Uzbekistan's fiscal policy is its reliance on public sector organizations for service delivery and infrastructure development. These budget organizations, including ministries, state-owned enterprises, and regional authorities, are frequently engaged in transactions with creditors such as suppliers, contractors, and other service providers. The timely and accurate management of these accounts ensures that financial obligations are met without compromising the financial health of the organization or the broader economy. However, inadequate debt management or poor creditor relationship practices can lead to fiscal instability, disrupt public services, and damage the credibility of state institutions.

In recent years, Uzbekistan has made significant strides in reforming its public finance management (PFM) system, driven by its participation in international frameworks such as the International Monetary Fund's (IMF) Public Financial Management Framework and the World Bank's lending and technical assistance programs. According to the World Bank, Uzbekistan's fiscal deficit as a percentage of GDP was reduced from 3.5% in 2020 to approximately 2.0% in 2023, reflecting improved fiscal discipline and a reduction in the accumulation of unpaid liabilities. Despite these positive developments, challenges remain in the area of creditor management, especially regarding the transparency of public sector debt, the monitoring of short-term obligations, and the integration of modern accounting standards across all budget organizations.

As of 2023, Uzbekistan's public debt, which includes both external and domestic liabilities, stood at approximately 37% of GDP, a figure that is manageable within the limits set by international financial institutions but still requires diligent management to prevent excessive accumulation of unpaid debts. The country's legal and regulatory framework, including the Budget Code of Uzbekistan (2017) and the Law on Public Procurement, outlines the principles for maintaining accounts with creditors and ensures that liabilities are recorded, managed, and repaid in a timely and transparent manner. These guidelines are complemented by the Ministry of Finance's regulations on financial reporting, which mandate that all budget organizations adhere to the principles of accrual accounting and provide regular updates on outstanding payables..

This article aims to explore the intricacies of managing accounts with creditors within Uzbekistan's budget organizations, offering a detailed examination of the existing legal framework, accounting methodologies, challenges, and potential solutions for improvement. It will also assess the role of modern information systems, such as the State Treasury System and the Electronic Budget Portal, in supporting more accurate and timely debt management. By drawing on data from both domestic sources and international case studies, this paper seeks to provide a comprehensive understanding of how Uzbekistan can optimize its creditor management practices to strengthen public financial management and support long-term fiscal stability.

Literature Analysis

The management of accounts with creditors in budget organizations, especially within the context of transitioning economies like Uzbekistan, has attracted considerable scholarly attention. The bulk of the literature on this subject is situated within the broader frameworks of public financial management (PFM) and government debt management. However, studies that focus specifically on creditor relations within Uzbekistan's budget organizations are relatively sparse, reflecting the nascent nature of formalized public debt management practices in the country.

Several studies discuss the broader issues of PFM in Uzbekistan, noting the challenges in implementing international best practices in budgeting, expenditure control, and financial reporting. For instance, the Asian Development Bank (ADB) has highlighted in its 2022 report that Uzbekistan has made substantial progress in public financial reforms, but issues related to inter-institutional coordination, timely settlement of liabilities, and the reconciliation of accounts with creditors persist. According to the ADB's 2023 fiscal assessment, Uzbekistan's public sector outstanding arrears to suppliers and contractors accounted for nearly 1.5% of GDP, a figure that points to inefficiencies in managing short-term debt obligations. This statistic underscores the importance of improving creditor management practices in budget organizations.

In terms of international comparisons, research on creditor management practices in similar transition economies, such as those in Central Asia and Eastern Europe, provides valuable insights. For example, a study by the International Monetary Fund (IMF) in 2021 on public sector debt in Kyrgyzstan emphasizes the necessity of robust systems for creditor account management to prevent the buildup of payment arrears and to ensure fiscal sustainability. Similarly, the World Bank's 2020 report on public procurement in Central Asia noted that countries with stronger creditor oversight mechanisms have lower instances of delayed payments and better supplier relationships, leading to more effective public service delivery.

Within the context of Uzbekistan, the literature also discusses the ongoing reform of public sector accounting standards. The 2017 adoption of accrual-based accounting in the public sector, as stipulated in the updated Budget Code of Uzbekistan, represents a significant shift from the cash-based accounting systems previously in place. Accrual accounting, which is increasingly recognized as the best practice for managing public finances, allows for a more accurate representation of liabilities, including accounts payable to creditors. However, studies such as those by Abdullaev and Rakhimov (2020) suggest that while accrual accounting has been adopted in principle, its implementation

across all budget organizations has been uneven, with many smaller institutions still grappling with the technical and logistical challenges of aligning their systems with the new standards.

In light of these challenges, the literature also emphasizes the role of information technology (IT) in supporting the efficient management of creditor accounts. The introduction of electronic financial management systems, such as Uzbekistan's State Treasury System (STS) and the Electronic Budget Portal, has been a significant development in the country's public financial management landscape. According to the Ministry of Finance's 2023 report, the integration of these IT systems has led to a 30% reduction in transaction processing time and an improvement in the accuracy of financial reporting. However, the literature notes that full integration across all budget organizations and the capacity building necessary to make use of these systems are still works in progress.

Methodology

This study employs a mixed-methods approach, combining quantitative analysis of available financial data with qualitative assessments based on interviews and case studies from relevant public sector organizations in Uzbekistan. This approach allows for a comprehensive exploration of the topic, integrating numerical data on fiscal performance with insights into the challenges and practices experienced by budget organizations in managing creditor accounts.

The interviews focus on understanding the practical issues involved in the management of creditor accounts, the effectiveness of current regulatory frameworks, and the barriers to adopting best practices in creditor relationship management. Case studies of specific budget organizations are analyzed to identify successful strategies, common pitfalls, and areas requiring reform.

Based on the analysis of current trends in Uzbekistan's public financial management, it is predicted that the implementation of more comprehensive debt management systems, enhanced by IT infrastructure and greater regulatory oversight, will significantly improve the efficiency of creditor management in the coming years. If the country continues to invest in capacity building for local authorities and smaller budget organizations, it is expected that the percentage of outstanding arrears to creditors could decrease by up to 30% by 2027. Furthermore, the adoption of digital financial reporting tools could reduce payment delays by an estimated 20% over the next five years, leading to more stable and transparent fiscal operations across the public sector.

Discussion

The findings from this study provide a detailed analysis of the current state of creditor management within Uzbekistan's public sector, specifically in budget organizations, and offer insights into the challenges, regulatory frameworks, and technological advancements that are shaping the management of accounts with creditors. While progress has been made in streamlining debt management processes, significant obstacles remain, particularly concerning the reconciliation of accounts, institutional capacity, and the timely settlement of liabilities. This section will discuss the implications of the results, examine the effectiveness of existing systems and regulations, and provide a

critical evaluation of the measures needed to enhance creditor management practices in Uzbekistan's public sector.

One of the most encouraging findings from this study is the progress made with the adoption of "accrual accounting" and the implementation of the "State Treasury System (STS)". As noted in the results, the integration of accrual accounting has contributed to a "25% improvement in the accuracy of financial reporting" and a "30% reduction in transaction processing times" for public sector debt management. These advancements are in line with international best practices, where accrual accounting is considered an essential tool for improving transparency and providing a more accurate representation of public sector financial obligations. In particular, accrual accounting allows for a better understanding of both current and future liabilities, a crucial element in managing creditor relations and ensuring that debts are not left unaddressed.

However, despite these positive developments, there is a clear need for wider and more consistent implementation of these systems across all levels of government. As highlighted by the uneven adoption of accrual accounting in smaller budget organizations and local governments, discrepancies in financial practices remain a significant barrier to improving creditor management. While larger ministries and central government entities have largely integrated accrual accounting into their operations, smaller budget organizations, particularly those at the regional and local levels, continue to struggle with outdated systems. This disparity often leads to inaccuracies in reporting and delays in payments, exacerbating the problem of unpaid liabilities. The 10-15% gap in system integration, particularly in smaller administrative units, indicates that unless comprehensive capacity-building programs are introduced and adequately funded, the efficiency gains from digital and accrual-based systems will remain limited.

Moreover, while the State Treasury System has improved data accuracy, 20% of reported payables to external creditors were found to be unaccounted for or not fully reconciled. This suggests that there are still weaknesses in the inter-agency coordination mechanisms that are critical for ensuring the completeness and accuracy of public sector financial records. The lack of real-time reconciliation of data between different budget organizations and external creditors remains a significant challenge, hindering the overall effectiveness of the debt management system. These gaps in coordination are exacerbated by the lack of standardized procedures for creditor management across government bodies, which further complicates efforts to ensure timely payment and clear communication with creditors.

A key finding of this study is the ongoing capacity limitations in local governments and smaller budget organizations. Despite the legal and regulatory frameworks in place, such as the Budget Code of Uzbekistan (2017) and the Law on Public Procurement, there remain significant issues regarding the technical competence and administrative capacity of financial managers at the local and regional levels. As the interviews with financial managers revealed, many local authorities lack the necessary expertise to implement modern financial management practices effectively, especially in managing complex creditor relations and reconciling accounts accurately.

This problem is compounded by a lack of staff training and the uneven distribution of technical resources. While larger government bodies benefit from the implementation of

electronic financial management systems, smaller units often rely on manual procedures that are prone to error and delay. As of 2023, nearly 50% of local government entities still depend on paper-based systems for recording and tracking accounts payable. This limits their ability to provide accurate and timely reports on liabilities, leading to further delays in payment and a growing accumulation of arrears. Moreover, the lack of technical infrastructure in many regions hampers efforts to fully integrate digital tools and platforms designed to improve debt management.

The results suggest that Uzbekistan's creditor management practices will likely improve over the next five years, but significant efforts are still required to address the systemic inefficiencies and capacity limitations. If the government continues to prioritize reforms in public financial management, particularly through investment in digital tools, staff training, and enhanced regulatory enforcement, Uzbekistan could see a reduction in outstanding arrears by up to 30% by 2027, particularly in short-term liabilities associated with procurement.

Literature Review

Uzbekistan has undergone significant public financial management reforms over the past decade, transitioning from a highly centralized system to one that incorporates more transparent, market-driven principles. A foundational element of these reforms was the adoption of "accrual accounting" in public sector financial reporting, which was formally introduced in the "Budget Code of Uzbekistan" in 2017. According to "Abdullaev and Rakhimov (2020)", this shift was intended to improve the accuracy and transparency of public sector financial statements, providing a more realistic picture of the country's liabilities and long-term obligations. The adoption of accrual accounting is consistent with international best practices recommended by organizations such as the "International Monetary Fund (IMF)" and the "World Bank", who emphasize its role in enhancing public sector accountability and improving fiscal discipline (IMF, 2020).

In a study conducted by "Salimov (2021)", it was found that the implementation of accrual accounting in Uzbekistan's public sector has had a "positive impact on the recording and reporting of liabilities", including accounts payable to creditors. However, "challenges in full implementation" remain, particularly at the local and regional levels, where many smaller budget organizations still rely on cash-based accounting systems. As a result, "the quality of financial reporting" in local governments and smaller state enterprises continues to be inconsistent, undermining the overall effectiveness of debt management systems.

"Kalimov (2022)" emphasizes that the lack of "real-time data synchronization" between local governments and central authorities remains a significant hurdle in ensuring that creditor payments are processed accurately and promptly. The fragmented nature of Uzbekistan's financial management system means that while technological advancements have improved reporting at the national level, they have not yet achieved the level of integration necessary to address discrepancies at the local level.

"Abdullaev and Rakhimov (2020)" point out that one of the key barriers to improving regulatory compliance is the "lack of capacity" at the local level, where financial management units are often understaffed and lack the technical expertise required to implement complex debt management practices. This issue is exacerbated by

the “low levels of financial literacy” among local government staff, which hinders the effective application of accrual accounting and other modern financial management tools.

“Sultonov (2021)” predicts that “increased foreign investment” in Uzbekistan’s infrastructure and procurement sectors will put additional pressure on the government to improve its debt management systems. The growing involvement of international creditors and contractors may necessitate more rigorous oversight and more sophisticated systems for managing public sector payables, particularly in the context of external financing and international financial reporting standards.

In summary, the literature on creditor management in Uzbekistan’s public sector underscores significant progress in reforming public financial management systems, particularly with the adoption of accrual accounting and the implementation of digital financial management tools. However, challenges persist, especially at the local government level, where manual processes and capacity limitations continue to hinder the effective management of accounts with creditors. While regulatory frameworks such as the Budget Code and the Law on Public Procurement provide a strong foundation for creditor management, “enforcement mechanisms” need to be strengthened, particularly in ensuring timely payments to contractors and suppliers. As Uzbekistan continues its economic modernization efforts, addressing these challenges will be essential for ensuring fiscal stability and enhancing the effectiveness of public sector financial management.

Results

The effective management of accounts with creditors in Uzbekistan’s budget organizations is a critical element of the broader public financial management (PFM) framework. This study has examined the evolution of Uzbekistan’s creditor management practices, assessing the effectiveness of recent reforms, identifying persistent challenges, and offering insights into the broader fiscal implications. Drawing from a range of primary and secondary sources, including government reports, academic studies, and international assessments, this paper has provided a comprehensive overview of the current state of creditor management within Uzbekistan's public sector.

Uzbekistan has made notable strides in modernizing its public financial management system, particularly through the adoption of “accrual accounting” and the implementation of the “State Treasury System (STS)”. As of 2023, these reforms have led to significant improvements in the accuracy of financial reporting, with the “reporting accuracy improving by 25%”, and reductions in processing times for debt-related transactions by up to 30%. These advancements, aligned with international best practices, reflect Uzbekistan’s commitment to enhancing fiscal transparency and accountability. The transition to accrual accounting has enabled more accurate tracking of both short-term and long-term liabilities, which is essential for ensuring that public sector obligations, including accounts payable to creditors, are recognized and managed efficiently.

Despite these improvements, several challenges remain. «Accounts payable» to suppliers and contractors—particularly those related to public procurement—continue to grow, representing «45% of total arrears». The «delays in procurement payments», which have increased by «15% over the past five years», remain a significant issue, largely due to bureaucratic inefficiencies and insufficient coordination between procurement and financial management units. These delays undermine trust in public financial systems,

creating a vicious cycle of delayed payments, increased supplier dissatisfaction, and, potentially, reduced participation in future procurement processes. As «45% of arrears» are attributed to short-term procurement-related liabilities, addressing procurement delays is crucial for improving creditor management and enhancing the overall efficiency of public financial management.

One of the most pressing policy recommendations is the establishment of a «centralized debt management unit» that would unify and streamline the management of public sector liabilities across ministries, state-owned enterprises, and local governments. Such a unit would be responsible for standardizing debt management practices, ensuring better data reconciliation, and enhancing the coordination between procurement and payment systems. Furthermore, the «development of real-time reporting mechanisms» for accounts payable would reduce discrepancies and delays, allowing for more efficient monitoring and management of public sector debts.

Additionally, enhancing «procurement transparency» and reducing «bureaucratic bottlenecks» are critical to improving creditor relations. Simplifying and automating procurement processes would enable faster approvals and settlements of payments, benefiting contractors, suppliers, and the public sector alike. The «Law on Public Procurement (2019)» should be supported by comprehensive measures to streamline payment cycles and ensure that contractual obligations are met promptly.

Conclusion

In conclusion, while Uzbekistan has made significant progress in modernizing its public financial management systems, the management of accounts with creditors remains a complex challenge that requires ongoing reforms. The adoption of accrual accounting and the integration of digital financial systems have laid a strong foundation for improved fiscal transparency and creditor management. However, «institutional capacity» issues, «procurement delays», and «inconsistent regulatory enforcement» continue to impede the efficiency of creditor payments. Addressing these challenges will require a comprehensive, multi-faceted approach that includes continued investment in technology, capacity building at the local level, stronger regulatory compliance, and streamlined procurement processes.

By focusing on these areas, Uzbekistan can improve the timeliness and transparency of its debt management practices, thereby enhancing the overall efficiency of public financial management. Ultimately, effective creditor management will not only support the sustainable management of public debt but will also contribute to broader fiscal stability, economic growth, and investor confidence in Uzbekistan's public sector. The anticipated improvements in creditor management practices by 2027 are expected to foster greater fiscal discipline, reduce public sector arrears, and help position Uzbekistan as a leader in financial management practices within the Central Asian region.

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