



## Scientific-Theoretical and Practical Aspects of Increasing the Tax Potential in Ensuring the Economic Security of the Regions

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### **Abstract**

The article describes the scientific, theoretical and practical aspects of increasing the tax capacity to ensure the economic security of the regions. The results of scientific research on economic security and tax potential are reflected. Also, the example of Kashkadarya region provides an analysis of regional development indicators and tax revenues. Important conclusions and practical recommendations on the subject are formed.

**Keywords:** *Economic Security; Tax Potential, Tax Base; Gross Regional Product; Fixed Capital Investment; Budget Revenues*

### **Introduction**

In the context of the global pandemic, countries around the world are paying special attention to ensuring the collection of taxes in the implementation of regional development policies and increasing the tax capacity of the regions in this regard. It should be noted that the issue of financial and economic security of the country is directly related to the tax system [1, pp. 64-69], in this regard, it is necessary to pay special attention to the study of tax discipline and tax culture [2, pp. 2343-2348; 3, pp. 124-128]. Development processes are directly related to the increase of the tax potential of these regions, as well as the development of entrepreneurship and the proper organization and management of management [4, pp. 1-7; 5]. This is due to the fact that in areas with high tax potential to ensure economic security, it is possible to ensure the stability of local budget revenues, as a result of which the active financing of socio-economic processes in the regions.

It is also important to properly plan the budget process in all countries of the world and through them to finance the relevant sectors to ensure a steady flow of funds to the revenue side of the budget. This is primarily due to the correct forecasting of tax revenues to the budget, and the fact that this process is not carried out in an organizationally and methodologically optimal way leads to a high deficit in budget execution. According to the analysis of reputable financial institutions, in 2016-2017, the global budget deficit averaged \$ 2.7 trillion, while the overall instability in the world economy does not allow for proper planning of state budget revenues in most countries [6, p. 5]. It should also be noted that the problems associated with ensuring the economic security of a particular state and its individual regions are becoming increasingly important.

In the context of global economic instability and fierce competition, it is important to identify a number of factors that limit the socio-economic development of small businesses in the Republic of Uzbekistan and to develop measures to strengthen the economic security of the country and its regions. In this regard, one of the important elements of economic security of the regions is to increase the tax capacity of the region, the development of sectors of the economy, which are "objects" of increasing the tax capacity in the growing economic process.

### ***Literature Review***

At the end of the twentieth century, the concept of economic security began to take on a more relevant significance. One of the Russian economists of this period, L.I. Focusing on the importance of the category of "economic security", Abalkin described it as "a set of conditions and factors that ensure the independence of the national economy, its stability and resilience, the ability to constantly renew and self-improve [7, pp. 4-13]".

According to economists AP Gradov and I.V. Ilin, "the state of the national economy, which meets the essential needs of the country in material goods, regardless of the occurrence of force majeure of socio-political, economic or environmental nature in the world economy or in the country the level of protection means economic security [8, pp. 88-101]".

In addition, Russian scientists V.P. Bykov, O.A. Dembovskaya, EM Lebedko, etc., claim that the economic security of the region is "a set of conditions and factors characterizing the current state of the economy, its stability and balance, the level of resistance to external and internal threats and the cycle of sustainable development, a comprehensive set of measures providing mechanisms for adequate protection against internal and external threats [9, pp. 60–63].

According to the description given by S.Khudoykulov, one of the scientists of the republic, who conducted research to improve the methodology of forecasting tax revenues, "Tax potential - the ability of persons subject to tax liability as a national economy, territory, legal entity and individual to pay the tax liability imposed on them within the framework of the budget and tax policy of the state and the current tax legislation; It is also an opportunity for the state to attract the maximum amount of taxes to the budget without violating the principle of tax fairness".

According to L. Bozorova, who conducted research on ways to increase the tax capacity of the regions to ensure the stability of budget revenues, the tax potential of the region - the maximum probable amount of taxes and duties for the period under analysis in the context of tax legislation; as well as the amount of additional tax payments calculated on the basis of the results of inspections of tax and customs authorities, i.e. the difference between the amount of actual taxes collected and the ability to potentially collect budget revenues [10].

In this regard, according to F. Valikhanov, a local researcher, it is recommended to take into account the possibility of interpreting this concept in a broad and narrow sense in the formation and assessment of tax potential. In a broad sense, tax potential is the total amount of taxable resources of an area. Legally, tax potential refers to the amount of taxes and levies that can be calculated within the applicable law and levied on the full budget. It is also expedient to pay special attention to financial technologies, as well as issues of tax culture and tax discipline in ensuring the economic security of the regions, and to intensify research in this area [15,16].

## Research Methodology

This article uses methods such as verbal interpretation, statistical observation, induction and deduction, scientific abstraction of the scientific and theoretical basis of increasing the tax capacity in ensuring the economic security of the regions.

Also, the methodological aspects of the article are the research of a number of Russian scientists E. Grigoreva and L. Gafirova. Their scientific work focuses on the institutional aspects of economic security of the state and the region. In their scientific work, according to Petrenko's methodology, the determination of the level of security by means of a regional security indicator is described [11]. That is,

$$Z_{general} = \sum_{i=1}^3 \alpha_i z_i /$$

(1)

Here:

$i = 1, 3$  security areas (natural-ecological, technical-economic and industrial, social)

$\alpha_i$  = is the average weighted coefficient

$Z_i$  = safety indicator.

Methodological comments on determining the tax potential were made by foreign scholars T. Saprikina and D. Lisitsky. According to him, the tax potential of the regions is a relative concept, which reflects the existing capacity of the planned collection of taxes in the regions of the country in relation to the gross domestic product (GDP / GRP):

$$TP = \frac{\sum GA}{GRP} * 100\% \quad (1)$$

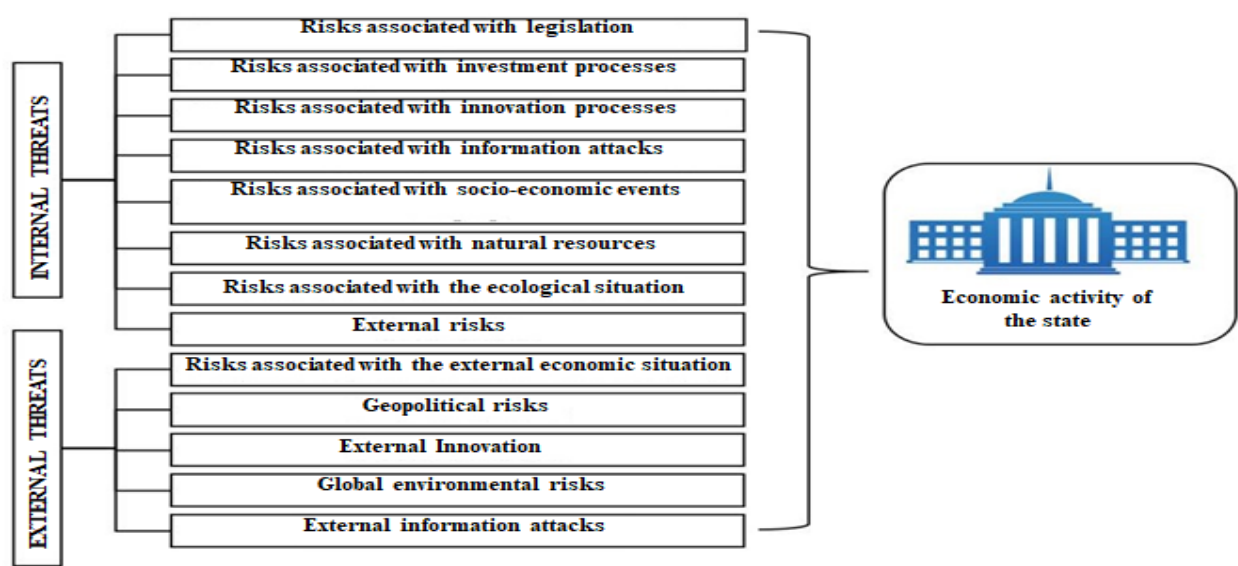
where: TP - tax potential (potential), in percent;

GA - the amount of general taxes;

Gross regional product - GRP.

Analysis and results.

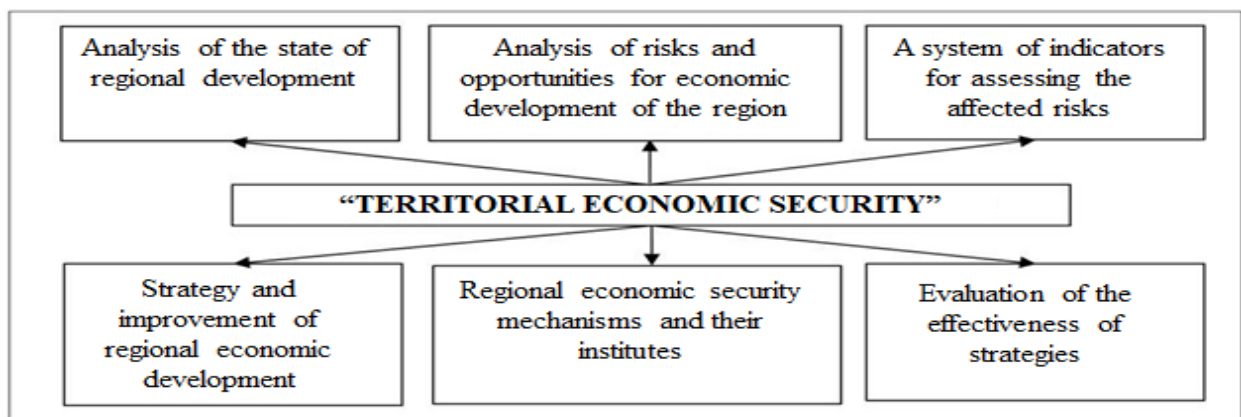
During the study of the results of the research of the above scientists, the risks affecting the economic security of the state can be classified as follows (Figure 1).



**Figure 1. Classification of risks affecting the economic security of the state** (The drawing is based on the author's research)

It is clear from this classification that the two major groups, the group of internal and external threats, are constantly affected by the economic security of the state. While the elimination of these risks, i.e. internal risks, depends on the state's economic security policy, we see that this is multifaceted and pragmatic in nature, given that the external risk group is a force majeure situation.

Also, the economic security of the region is directly related to the economic security of the state, and the economic security of the region is a state of the economy and institutions of state power, in which there is immunity that ensures sustainable and sustainable development of the region's economy. In this regard, "the main problem in ensuring economic security at the regional level is the diversity of scientific, technical and innovative capabilities of the regions, natural conditions - differences in the climate of the regions [12, pp. 135–140]. It can be said that as a result of imbalances in regional and regional development, stratification of living standards in the regions of the Republic of Uzbekistan and many other territorial and economic indicators, which is an important indicator of economic security, can be a critical indicator of economic security. It is also necessary to define the structural structure of this concept, the factors influencing it, security measures and conditions in order to give a clear definition of "territorial economic security".



**Figure 2. Important components and elements of the concept of "regional economic security"** (The drawing is based on the author's research)

Based on this diagram, summarizing the views expressed on the concept of “regional economic security”, we can make the following comments on the structure and important elements of the concept of “regional economic security”:

- one of the key elements is the description of external and internal economic factors and threats to the vital interests of the subjects (individual, society and the state);

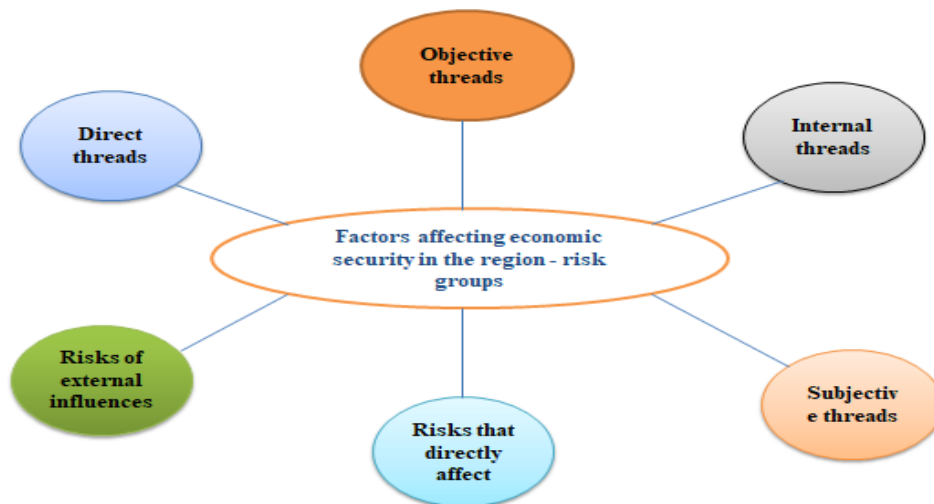
- identification and monitoring of factors affecting the system of regional socio-economic development in the short and medium term (3-5 years);

- definition of criteria and criteria characterizing territorial interests concerning regional economic security, their classification;

- mitigation of the impact of factors that negatively affect the competitiveness and development of the regional economy, the formation of institutional mechanisms for regional economic policy aimed at their elimination;

- an important part of the strategy to ensure regional economic security is to take measures to ensure the resilience of the economy to any changes and external influences, and economic security is a field of regional economic management.

In order to have a broader picture of regional economic security, it is expedient to consider the factors influencing it.



**Figure 3. Factors influencing regional economic risk are risk groups** (The drawing is based on the author's research)

That is, in the economic literature, the factors influencing this bar are divided into 3 major groups. The grouping of factors affecting regional economic security is as follows:

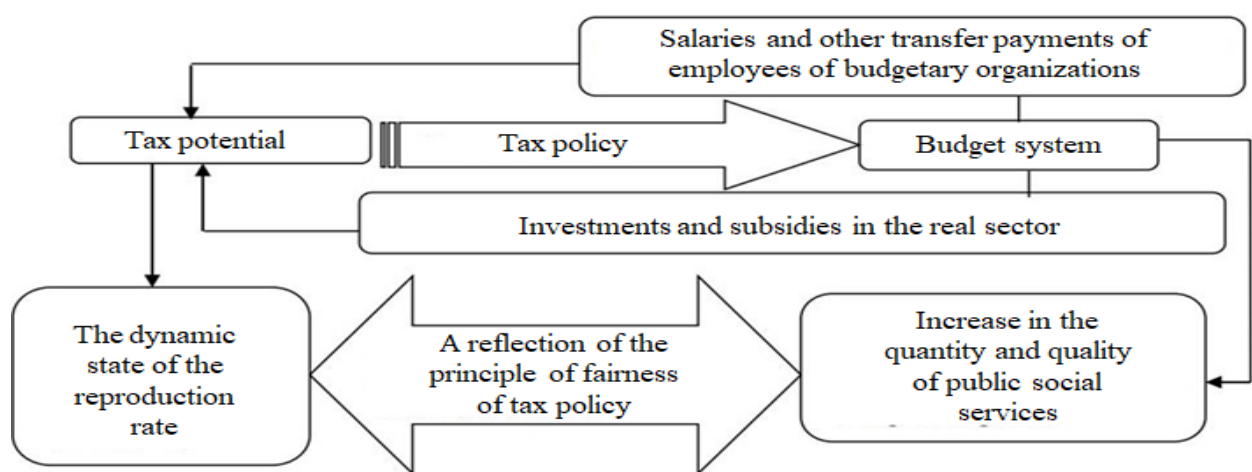
- according to the source of influencing factors - internal and external factors;
- by types of factors - objective and subjective factors;
- the influence of factors is apparently - direct and indirect factors [13, p. 416].

In this regard, the following factors can be included in the group of internal factors affecting regional economic security:

**Table 1: Internal factors affecting regional economic security are risks** (*The drawing is based on the author's research*)

Sources of risk factors	Types
National economy	<p>Economically incorrect distribution of natural resources of the country's regions</p> <p>The natural components are the incomplete formation of the tax base</p> <p>Significant deviation of taxes and social payments</p> <p>Decrease in investment in the country's gross domestic product (GDP)</p> <p>Decrease in production to key manufacturing sectors</p> <p>Monopolization of the economy</p> <p>Sudden change in the composition of fixed assets</p> <p>Exacerbation of employment</p> <p>Rising unemployment and inflation</p>
Legal and administrative structures	<p>Unregulated aspects of public procurement and corruption</p> <p>Aspects of the "hidden economy" and "money laundering" that need to be regulated</p> <p>The degree of offense in society</p> <p>The level of delinquency and crime in collective relations</p>
Budget system and policy	<p>Decrease in tax collection in the formation of budget revenues</p> <p>Frequent deficits in the budget system due to declining tax capacity</p> <p>Instability of budget revenues</p> <p>Non-fulfillment of financial obligations between financial controllers and taxpayers to the budget</p> <p>Misuse of budget revenues</p> <p>Disproportion of budget expenditures to macroeconomic indicators</p> <p>Non-compliance with the ration of the budget reserve</p>
Social policy	<p>The presence of large differences between incomes, the level of poverty</p> <p>Adherence to the normative living system</p> <p>Level and quality of life</p> <p>Lack of protection of the population in need of social protection</p> <p>Birth rate, mortality rate</p> <p>Lack of control over migration processes</p>
Scientific and technical policy	<p>Level of scientific-technical-innovative potential</p> <p>Decrease in fundamental scientific degree</p> <p>Lack of state science, technology and innovation policy</p> <p>Cases of departure of researchers, specialists to other fields or from the state</p>
Financial market	<p>A stock market that is inefficient in attracting investment</p> <p>Unintentional outflow of financial resources from the real sector</p> <p>Capital flight from the country</p>

Internal factors affecting regional economic security - the classification of risks show that the factor "Budget system and policy" is interrelated with the regional tax authority and the main source of budget formation due to taxes. and considers the state budget to be interrelated, emphasizing that the state budget is a "barometer" as a mechanism in the process of increasing the tax potential of the regions (Figure).



**Figure 4. Interrelation of tax potential and budget system [14]**

The deepening of the mutual stratification of regions in terms of tax potential is prevented by investing funds from one region through budgets. In addition, the state budget measures the total and real size of the tax potential. The effectiveness of the relationship between tax potential and the budget system is the establishment and manifestation of the principle of fairness of taxes as a balance [14].

Based on the analytical results on the topic, below we consider the indicators of economic development and tax potential of Kashkadarya region, which is the object of research. The main reason for this is that the state of economic development of the region and changes in tax revenues affect the formation of local budget revenues, i.e. the dependence on regional economic security will change.

First of all, it is expedient to analyze the indicators of regional economic development of Kashkadarya region for 2016-2020.

According to the table, the gross regional product (GRP) of Kashkadarya region in 2016 amounted to 20163.9 billion soums. In 2020, this figure increased by 178.5% to 36010.6 billion soums.

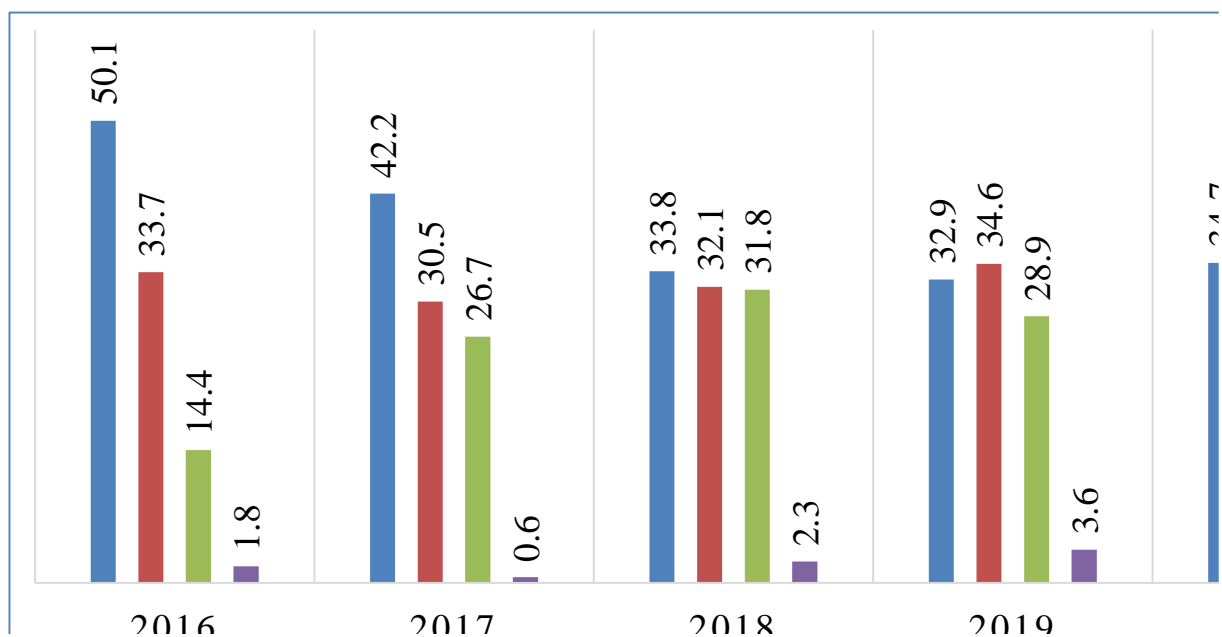
**Table 2: Macroeconomic indicators of Kashkadarya region** (Compiled by the author on the basis of data from the Department of Statistics of Kashkadarya region)

	Unit of measurement	2016	2017	2018	2019	2020
Gross regional product	billion soums	20 163,9	21 597,3	26 554,1	32 399,3	36 010,6
	growth rate, in%	105,6	103,5	102,0	101,8	102,1
Industrial product	billion soums	9632,2	10945,9	14529,5	20360,1	14574,8
	growth rate, in%	103,8	107,9	108,3	93,7	100,5
Consumer goods	billion soums	2577,2	2549,3	2891,7	3899,8	4480,3
	growth rate, in%	112,7	91,2	113,4	134,9	114,4
Agriculture, forestry and fisheries 2)	billion soums	11121,0	14761,6	17685,8	20415,1	24348,8
	growth rate, in%	106,4	103,3	96,6	101,2	103,4
Fixed capital investments	billion soums	7304,4	11175,3	16518,5	24462,5	19921,7
	growth rate, in%	108,9	129,7	112,4	131,2	74,1
Construction works	billion soums	2560,0	2759,1	3701,1	4365,3	4928,2

	growth rate, in%	114,4	99,9	110,9	103,2	100,2
Retail turnover	billion soums	6202,9	7187,3	8818,5	10639,7	12458,0
	growth rate, in%	114,5	100,1	103,2	105,7	102,0
Services, total	billion soums	5 137,6	5 859,7	7 064,1	8 800,9	10 109,2
	growth rate, in%	118,1	104,5	106,623	111,1	103,9
Foreign trade turnover	thousand US dollars	764,1	596,9	765,7	824,8	542,1
	growth rate, in%	103,6	78,1	128,3	107,7	65,7
Export	thousand US dollars	239,0	226,3	270,8	366,1	195,4
	growth rate, in%	88,6	94,7	119,6	135,2	53,4
Import	thousand US dollars	525,1	370,6	495,0	458,7	346,8
	growth rate, in%	112,2	70,6	133,6	92,7	75,6
Balance	thousand US dollars	-286,1	-144,2	-224,2	-92,7	-151,4
	growth rate, in%	x	x	x	x	x

The volume of industrial output in 2016 within the macroeconomic indicators of Kashkadarya region amounted to 9632.2 billion soums. This figure reached 14574.8 billion soums in 2020, an increase of 100.5% over the previous year. In addition, the volume of investments in fixed assets, which play a key role in GRP, increased by an average of 111.2% in 2016-2020. The reason is that while the budget consists of taxes, the main part of local budget revenues, the constant growth of regional tax capacity remains an important condition for economic security.

These views can be seen in the example of the following analytical indicators on the share of taxes in state budget revenues in Kashkadarya region.



**Figure 5. The share of taxes in state budget revenues in Kashkadarya region** (Compiled by the author on the basis of data from the Tax Administration of Kashkadarya region)



In the structure of the share of taxes in the revenues of the state budget in Kashkadarya region in 2016-2020, the main place was taken by direct and indirect taxes. In particular, in 2016, 50.1% of tax revenues accounted for direct taxes. In 2020, these taxes accounted for 34.7% of tax revenues of the budget. Indirect taxes also accounted for 33.7% of total taxes collected in 2016, compared to 33.6% in 2020. In the structure of tax revenues over the past five years, the volume of resource payments, property taxes in the region in 2020 increased by almost 16% compared to 2016 and amounted to 30.1%.

### ***Conclusions and Suggestions***

Based on the above scientific and theoretical views on increasing the tax capacity to ensure the economic security of the regions, as well as the analytical data considered on the example of Kashkadarya region, the following conclusions were formed:

- Regional economic security - is a holistic set of indicators that characterize the state of economic development of the region, the degree of elimination of factors that negatively affect the economic development of regions, protection of economic sectors from external shocks. Ensuring regional economic security involves assessing the impacts on the regional economy and taking the necessary measures to reduce their impact (negative impact).

- Territorial economic security is not only an obstacle to the economic development of the region, but also an important mechanism for development at the political, legal, social level, taking into account the standard of living;

- It is necessary to distinguish two concepts that are part of the tax potential. If tax resources are considered as the size of the current level of the tax base, tax revenues describe the probability of mobilization of tax revenues based on the principles of the current tax system;

- Taking into account that more than 90% of local budget revenues of Kashkadarya region are tax revenues, it is expedient to further expand production and services in the region;

- Given that the tax potential is one of the main means of generating local budget revenues, it can be said that the tax potential directly affects the factor of "budget system", which is one of the internal factors directly affecting the economic potential of the region, and ultimately regional economic security.

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