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Issues of Efficient use of Budget Funds in the Material Incentivization of Military Personnel

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Abstract: In a contemporary geo-political landscape, the effective operation of the defence sector is directly dependant upon the status of social and economic support to military personnel. Such support is financed through state budget as a system of material incentives. The rational and efficient use of budget funds allocated for military compensation is important activity in terms of increasing service motivation, ensuring personnel stability, as well as keeping and strengthening national defense capacity. This study analyzes the economic and institutional mechanisms for effective use of budget funds in terms of military personnel material incentives system. The paper uses instrumental, systemic and economic-statistical analysis methods to study the interdependence of quantitative and qualitative state budget allocation mechanisms in specific types military service incentives. Results: The study demonstrates that the efficiency of budget fund utilization in the military sphere is conditioned by performance-oriented budgeting, individualized incentive mechanisms, rigorous internal financial control and access to relevant information necessary for transparency in the process of resource allocation. The results also reveal that caution must be exercised when linking material stimulation to service performance, professional qualifications, service conditions and collective results; only in this case does the stimulating impact of financial support considerably increase. According to the results of the study, building a more effective material incentives system for military personnel is only possible if new elements connected with public finance management through digital monitoring systems and the establishment of transparent and results-oriented budgeting mechanisms are implemented. These measures also play a role in the rational allocation of budget funds and strengthen the efficiency and sustainability of military personnel.

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1. Introduction

In the contemporary geopolitical and economic environment, ensuring national security, strengthening state sovereignty, and enhancing defense capacity have become among the priority directions of state policy. In the effective implementation of these tasks, the stable and uninterrupted functioning of the military service system is of decisive importance. The effectiveness of the military sphere depends not only on the condition of weapons, equipment, infrastructure, and management systems, but also directly on the level of social and economic protection of military personnel, their attitude toward service, professional motivation, and the degree of institutional support. From this perspective, the

system of material incentives for military personnel appears as an important integrated component of military administration, budget policy, and social protection mechanisms [1].

The system of material incentives for military personnel occupies a special place in the state's personnel policy in the defense sector. This system serves to strengthen military personnel's interest in and commitment to service, increase service discipline, ensure personnel stability, retain highly qualified specialists, and enhance the efficiency of military labor. However, the practical effectiveness of this system is determined primarily by the sources of its financial support, especially the extent to which budget funds are allocated purposefully, fairly, and effectively. If the mechanism of material incentives is not formed on the basis of clear criteria, the efficiency of budget resources declines, and the motivational effect of the allocated funds does not manifest itself at the expected level [2].

Today, the issue of rational use of financial resources in the military sphere financed by the state budget is significant not only from an economic point of view, but also from an institutional and strategic one. This is because salaries, various allowances and additional payments, one-time bonuses, elements of social packages, and compensatory payments provided to military personnel constitute an important component of state budget expenditures. Therefore, the effective use of these funds should be considered in harmony with the principles of budget discipline, financial stability, results-based management, and social justice. This, in turn, creates the need to assess material incentives for military personnel not merely as a payment mechanism, but as a strategic investment directed toward human capital.

Literature Review on the Topic. The system of material incentives for military personnel is an important component of state financial policy, playing a significant role in ensuring national security, forming a professional army, and increasing the attractiveness of military service. This issue is closely related to the efficiency of state budget expenditures, social protection, and the effectiveness of public administration, and it has been widely studied by economists [3].

In foreign economic literature, issues of military expenditures and material incentives for military personnel have been studied within the framework of public finance and defense economics. In particular, the American economist Todd Harrison emphasizes that strategic planning of budget resources is essential for improving the efficiency of military expenditures. In his view, for the system of material incentives for military personnel to be effective, it must be aligned with the long-term defense strategy and the financial capabilities of the state [4].

Likewise, in studies conducted by Keith Hartley and Todd Sandler, the economic efficiency of defense expenditures and the factors that increase motivation for military service are analyzed in depth. According to them, under conditions of forming a professional army, the system of material incentives for military personnel should include not only salary levels, but also social guarantees, housing provision, and other incentive mechanisms [5].

One of the prominent scholars in defense economics, Jurgen Brauer, substantiates the need to apply the cost-benefit analysis method in evaluating the efficiency of military expenditures. In his opinion, budget funds directed toward material incentives for military personnel should be viewed as a strategic investment in ensuring state security.

Russian economists have also extensively studied this issue. In particular, A.G. Arbatov and V.L. Tambovtsev, analyzing the mechanisms of managing military expenditures and the efficient use of budget funds, emphasize that improving the system of material incentives for military personnel is one of the important directions of state defense policy.

Uzbek economists have also scientifically studied the issues of the efficiency of state budget expenditures and the financing of the social sphere. In particular, Q.X. Abdurahmonov, in his studies, emphasizes that the rational use of budget funds in implementing the state's social policy is an important factor in improving the population's standard of living. In his view, the system of material incentives for public servants, including military personnel, should serve to increase labor productivity [6].

In addition, D. G'ozibekov, researching issues of public finance management and budget policy, substantiated that effectiveness and performance criteria occupy an important place in planning state budget expenditures. In his opinion, effective management of state budget funds also serves to increase economic efficiency in the military sphere [7].

Among Uzbek scholars, Sh. Shodmonov and U. G'afurov have also studied public finance management, the efficiency of budget expenditures, and incentive mechanisms in the public sector, emphasizing the importance of increasing economic efficiency in the use of budget funds [8].

The analysis of studies shows that the system of material incentives for military personnel is closely interconnected with state budget policy, social protection mechanisms, and the effectiveness of public administration. At the same time, existing scholarly works mainly cover the general efficiency of defense expenditures or issues of incentivizing public servants, while the complex economic mechanisms for the effective use of budget funds in the material incentivization of military personnel have not been sufficiently studied.

Therefore, this research is of important scientific and practical significance from the standpoint of improving the system of material incentives for military personnel and developing mechanisms for the effective use of budget funds [9].

2. Material and Methods

In the course of the study, such methods of scientific inquiry as analysis and synthesis, induction and deduction, comparative analysis, a systems approach, economic-statistical analysis, and logical generalization were employed. In particular, the methods of analysis and synthesis were used to reveal the economic essence of the system of material incentives for military personnel, while the method of comparative analysis was applied in studying the experience of various countries.

3. Results

In revealing the economic essence of the system of material incentives for military personnel, it is first necessary to identify its main functions, which are presented in the following table (see Table 1).

Table 1. Economic Functions of the System of Material Incentives for Military Personnel [9;10]

Nº	Function Name	Content	Economic Significance
1	Compensatory Function	Aimed at compensating for the costs and losses associated with the hardship, danger, special service conditions, and social restrictions of military service.	Ensures the social protection of military personnel and reduces the economic risks associated with service conditions.
2	Motivational Function	Includes material incentive mechanisms aimed at increasing	Enhances the labor productivity of military personnel and helps

		service performance, discipline, responsibility, and professional activity.	retain qualified professional staff within the system.
3	Socio-stabilizing Function	Serves to strengthen military personnel's trust in the state, increase professional loyalty, and maintain satisfaction with service.	Ensures social stability within the military system and reduces personnel turnover.
4	Institutional Function	Through material incentive mechanisms, it forms fair, disciplined, and transparent management mechanisms within the military system.	Enhances the effectiveness of military administration and contributes to the rational use of state financial resources.

The economic functions of the system of material incentives for military personnel are inextricably linked to the need for the rational use of budget funds allocated by the state. In economic theory, the efficient use of budget funds is generally explained through the principle of achieving the highest possible result with available resources or ensuring a specified result at the lowest possible cost. In the field of material incentives for military personnel, this principle is interpreted to mean that the allocated budget funds should be directed in the most optimal way toward increasing personnel motivation, enhancing service efficiency, ensuring personnel stability, and positively influencing the level of combat readiness. At the same time, in international practice, performance budgeting is regarded as one of the important mechanisms for the efficient use of budget funds. OECD materials emphasize that this approach contributes to a more efficient allocation of resources, the identification of priorities, as well as the strengthening of transparency and accountability in the budget process [10].

In addition, in recent years, the volume of state budget expenditures allocated to the defense and security sector in the Republic of Uzbekistan has been steadily increasing (see Figure 1).

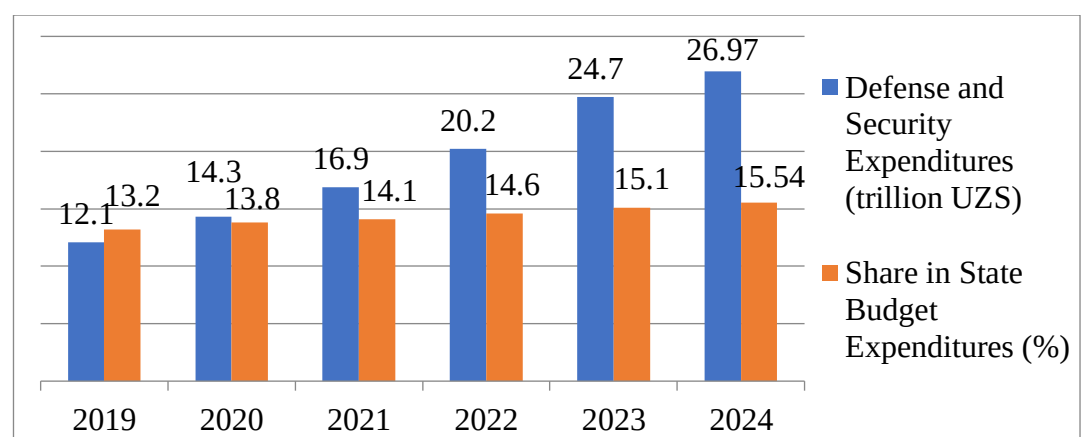


Figure 1. State Budget Expenditures Allocated to the Defense and Security Sector in the Republic of Uzbekistan (2019–2024) [13]

This, in turn, increases the need to ensure more efficient use of the allocated financial resources, link incentive mechanisms to performance outcomes, and introduce modern approaches to the allocation of budget funds. From this perspective, OECD materials

particularly emphasize that the performance budgeting system, which is widely used in international practice, can contribute to the efficient allocation of resources, the identification of priority areas, and the enhancement of transparency and accountability in the budget process [11].

The performance budgeting approach requires that material incentive mechanisms be linked to clear performance indicators. In other words, the incentive system should be formed in a differentiated manner depending on military personnel's service performance, professional training, the complexity of service conditions, discipline, as well as individual and collective results. Such an approach contributes to the targeted and efficient allocation of budget funds and also helps increase personnel motivation. International studies likewise note that the effectiveness of the system of material incentives for military personnel should be assessed precisely on the basis of these criteria. The main types of these incentive criteria and their content are presented in **Table 2**.

Table 2. Main Criteria for Material Incentives for Military Personnel [12].

№	Incentive Criterion	Content	Impact on Performance
1	Service Performance	The quality of a military servicemember's fulfillment of service duties, combat training indicators, and overall service efficiency.	Enhances combat readiness and service effectiveness.
2	Level of Professional Qualification	The level of a military servicemember's knowledge, skills, and military training, as well as the results of advanced training.	Increases the capacity and potential of professional personnel.
3	Complexity of Service Conditions	Service in hazardous areas, participation in special operations, or service under special duty regimes.	Increases motivation to serve under difficult conditions.
4	Discipline and Length of Service	Compliance with military discipline, length of service, and long-term service.	Ensures personnel stability.
5	Individual Results	A military servicemember's personal achievements, awards, and distinguished performance in service.	Encourages personal motivation and initiative.
6	Collective Results	The overall service outcomes of a military unit or subdivision.	Strengthens collective effectiveness and cooperation.

As can be seen from the data in Table 4, the effectiveness of the system of material incentives for military personnel largely depends on the correct selection of incentive criteria and their linkage to service performance. In particular, such factors as service performance, level of professional qualification, complexity of service conditions, discipline, as well as individual and collective results make it possible to organize material incentives on a differentiated basis. Such an approach creates motivation for achieving high results in the activities of military personnel and also serves to strengthen personnel motivation. At the same time, linking incentive criteria with performance indicators

contributes to more efficient use of budget funds, ensures the principles of fair distribution within the military system, and improves management efficiency.

In the practice of Uzbekistan, the system of material incentives for military personnel is also being improved step by step. In particular, the remuneration system for military personnel provides for official salary, allowances for military rank, length of service, complexity of service conditions, performance of special duties, as well as additional incentive payments for high service results. At the same time, in order to provide social support to military personnel and their family members, additional incentive mechanisms are also being introduced, including housing provision, mortgage loans, social benefits, and other forms of support. These measures serve to enhance the prestige of military service, ensure personnel stability, and promote the efficient use of allocated budget funds.

At the same time, various incentive payments occupy an important place in the salary structure of military personnel. In particular, official salary, allowances for military rank, length of service, complexity of service conditions, and additional payments established for the performance of special duties are aimed at increasing personnel motivation. The share and structure of these payments in the salary composition are presented in Figure 2.

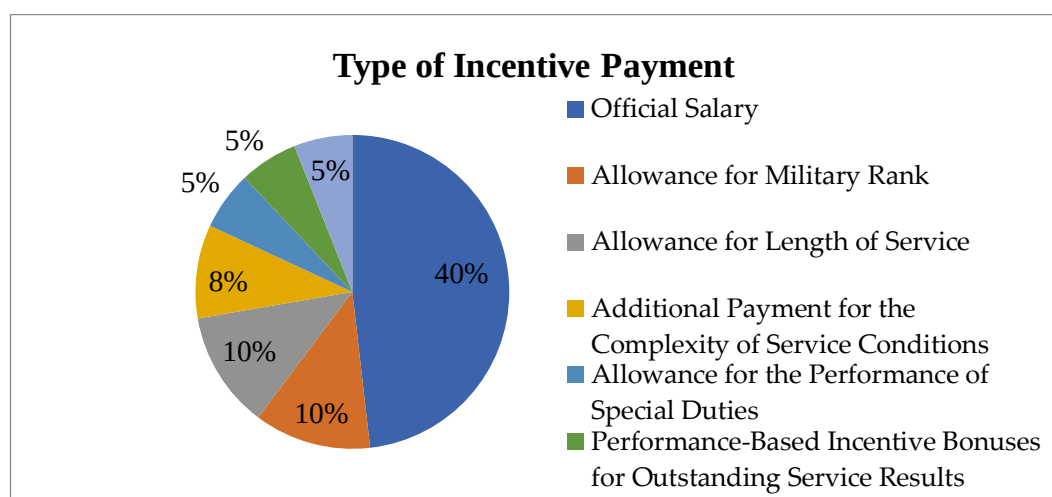


Figure 2. Share of the Main Incentive Payments in the Salary Structure of Military Personnel in the Practice of Uzbekistan [13].

As can be seen from the data in Figure 2, the main share in the salary structure of military personnel falls on the official salary. At the same time, allowances for military rank, length of service, the complexity of service conditions, and additional payments established for the performance of special duties constitute important elements of the material incentive system. These incentive payments serve to encourage the professional activity of military personnel, improve service efficiency, and strengthen personnel motivation. In addition, allowances related to the complexity of service conditions and the performance of special duties help form a differentiated incentive mechanism that takes into account the specific characteristics of military service. As a result, such an approach contributes to enhancing the prestige of military service, ensuring personnel stability, and promoting the efficient use of allocated budget funds [14].

4. Discussion

The financial management mechanisms are not limited to the broad framework of circulation and economy, since the inefficiency of budget fund usage directly correlates with these mechanisms being transparent, fair, and performance-oriented. Last, the incentive system for military personnel in contemporary defense economics is treated not

simply as a part of wage policy but an important way to achieve institutional efficiency and bolster national defense capacity.

The findings of the study show that the success of the system of material incentives depends, to a significant extent, on the correct choice of incentive criteria and their connection with indicators characterizing service performance. Professional qualification, complexity of service conditions, discipline and individual service achievements are among the many factors affecting motivation in terms of financial incentives.

International experience shows that the implementation of performance-based budget mechanics increases the effective use of defense funding. This system enables to concern the budget resources allocation in accordance with precisely defined priorities and performance indicators, which increases the accountability and transparency of financial management in the defense sector.

In Uzbekistan, these days gradual reforms are implemented to improve system of material incentives for military men. Nevertheless, there is still room for improvement through the strengthening of internal financial control mechanisms, expanding digital monitoring systems and introducing more tailored incentive criteria that reflect the uniquely military character of service.

In this regard, the successful use of budgetary funds in the material encouragement of military personnel needs a combination of economic efficiency principles, institutional transparency and cutting-edge methods of financing those society social objectives [15].

5. Conclusion

The results of the study show that the system of material incentives for military personnel is closely linked to the state's defense policy and the mechanisms for the efficient use of budget funds. This system is an important factor in increasing the effectiveness of military personnel's activities, strengthening personnel motivation, and ensuring staff stability.

In the practice of Uzbekistan, a number of reforms aimed at improving the system of material incentives for military personnel are also being implemented. In particular, the prestige of military service is being enhanced through the improvement of the remuneration system, the introduction of additional incentive allowances, and the expansion of mechanisms for the social support of military personnel.

At the same time, further improvement of the system of material incentives for military personnel, linking incentive mechanisms to service performance, and ensuring the efficient use of allocated budget funds remain among the urgent tasks. International experience shows that the performance budgeting system contributes to the efficient allocation of budget funds, the identification of priority areas, and the improvement of the effectiveness of the use of state financial resources.

Based on the results of the study, the following practical recommendations can be proposed:

Introduce a performance-based incentive system. It is necessary to link the system of material incentives for military personnel to service performance, the level of combat readiness, and individual results.

Introduce elements of performance budgeting in the defense sector. The use of planning mechanisms based on performance indicators in the allocation of budget funds increases budget efficiency.

Develop incentive mechanisms on a differentiated basis. It is advisable to determine allowances and additional payments by taking into account such factors as the complexity of service conditions, the level of risk, the place of service, and the performance of special duties.

Expand the system of social support for military personnel. The development of housing provision, mortgage loans, medical services, and other social benefits increases the attractiveness of military service.

Increase the transparency of the incentive system. Clearly defined and transparent criteria for determining incentive payments help ensure the principles of fair distribution within the military system.

Monitor the efficiency of the use of budget funds. It is necessary to introduce mechanisms for evaluating the effectiveness of funds allocated for the material incentives of military personnel.

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