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Article

Economic Mechanisms for Financing the Public Education System and Ways to Improve the Efficiency of Budget Spending

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Abstract: This article analyses the economic mechanisms for financing the public education system in the Republic of Uzbekistan, the dynamics of funds allocated from the state budget, and the efficiency of their use. In particular, it examines the budget funds envisaged for the Ministry of Preschool and School Education in 2024–2026, public expenditure on education, the structural areas of financing, and the specific features of budget resource allocation. The study also addresses the financial autonomy of educational institutions, normative per-capita financing, results-based budgeting, and the development of extra-budgetary sources of funding. Based on the findings, scientific and practical proposals are developed for improving the mechanisms for financing the public education system, increasing the economic efficiency of budget funds, and linking the quality of educational services to financial results..

Keywords: *public education, school education, financing mechanism, state budget, budget expenditure, human capital, economics of education, normative financing, budget efficiency, financial autonomy, results-based budgeting.*

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1. Introduction

The sustainable socio-economic development of any country depends, first and foremost, on the potential of its human capital and the educational attainment of its population. In today's environment of global economic competition, developing the education system, strengthening its financial base, and using budget funds efficiently are among the priority areas of state economic policy.

In particular, the general secondary education system is the initial and essential stage in training qualified personnel in the country. The financial stability of this sector determines the quality of education, the working conditions of teaching staff, the material and technical base of schools, and the ability to introduce modern educational technologies.

In recent years, the Republic of Uzbekistan has paid particular attention to reforming the education system, developing school infrastructure, providing incentives for teaching staff, and improving the material and technical resources of educational institutions. These processes are also reflected in the volume and structure of funds directed from the state budget to the education sector.

However, an increase in the volume of budget funds allocated to education does not automatically ensure that they are used efficiently. This requires that the allocation of financial resources take into account the real needs of educational institutions, the number of students, regional characteristics, the quality of education, and the results achieved.

From this perspective, it is highly relevant to analyse the current mechanisms for financing the public education system from an economic standpoint, to assess the performance of budget funds, and to develop evidence-based proposals for improving financial management.

The financing of education and the development of human capital have emerged as a distinct field of research within economic theory.

The American economist T. Schultz, in developing the theory of human capital, regarded spending on education and vocational training as investment that contributes to economic growth. In his view, investment in people's knowledge and skills leads to higher labour productivity and economic efficiency in the future [1].

In his work «Human Capital», G. Becker studied educational expenditure as an important factor in the formation of human capital. He demonstrated that funds directed towards education, vocational training, and the development of knowledge generate economic returns in the future [2].

The World Bank's «World Development Report 2018» emphasises that financing an education system requires not only increasing the volume of funding, but also using educational resources efficiently, improving learning outcomes, and targeting financial resources [3].

The «Education at a Glance» reports published by the Organisation for Economic Co-operation and Development (OECD) analyse educational expenditure, sources of funding, teacher remuneration, and the resourcing of educational institutions in relation to one another [4].

Summarising these scholarly views, it can be said that financing education is a long-term investment in human capital. However, its economic efficiency is determined not only by the amount of funds allocated, but also by the mechanism for distributing them, the areas in which they are spent, and the results achieved.[5]

At the same time, issues such as allocating budget funds for general secondary education in Uzbekistan in line with regional needs, increasing financial autonomy, and improving results-based budgeting mechanisms require further research.[6].

2. Materials and Methods

The main aim of the study is to conduct an economic analysis of the current state of financing of the public education system in the Republic of Uzbekistan, to assess the efficiency of budget spending, and to develop scientific and practical proposals for improving financing mechanisms.[7]

The object of the study is the financing of general secondary education institutions in the Republic of Uzbekistan.

The subject of the study is the economic relations that arise in the process of financing educational institutions and allocating and using budget funds.

The study draws on the laws of the Republic of Uzbekistan on the State Budget, budget data of the Ministry of Economy and Finance, official statistics, and research reports of international organisations.

The analysis employed methods of statistical grouping, dynamic analysis, comparative analysis, economic analysis, a systems approach, and generalisation.

The following formula was used to determine the annual growth rate of budget funds:

Growth rate:

$T = (B_1 - B_0) / B_0 \times 100\%$

Where:

T — growth rate of budget funds;

B_1 — budget funds in the current year;

B_0 — budget funds in the base year.

To assess the efficiency of financing educational institutions, it is proposed to use indicators such as the ratio of budget expenditure to the number of students, expenditure per student, and educational outcomes.[8]

3. Results and Discussion

1. Dynamics of state budget financing of education in Uzbekistan

Financing the education sector is one of the key social priorities of the state budget of the Republic of Uzbekistan. In recent years, the volume of funds allocated for maintaining educational institutions, paying teaching staff, building and reconstructing schools, and equipping the learning process with modern facilities has been growing.

Based on Presidential Resolution No. PQ-422 of 29 December 2023, Presidential Resolution No. PQ-455 of 25 December 2024, and the parameters of the state budget for 2026, we analyse the dynamics of the funds envisaged for the Ministry of Preschool and School Education.[9]

Dynamics of state budget funds envisaged for the Ministry of Preschool and School Education

Table 1

Year	Budget funds (UZS billion)	Growth vs. previous year
2024	46,647.4	-
2025	59,164.2	26.8%
2026	63,691.6	7.7%

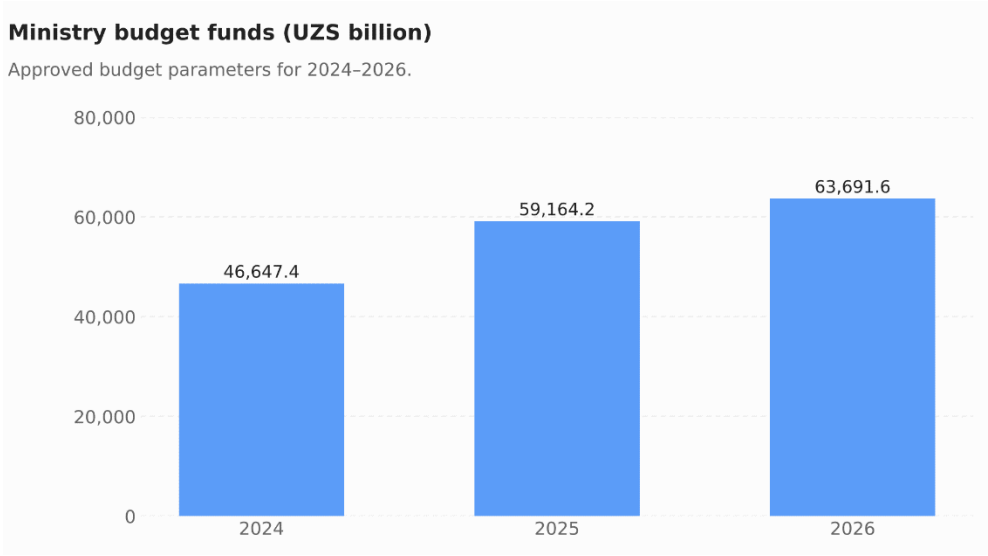
Source: Author's calculations based on the laws of the Republic of Uzbekistan on the State Budget.

As the table shows, the state budget envisaged UZS 46,647.4 billion for the Ministry in 2024, while in 2025 this figure amounted to UZS 59,164.2 billion. For 2026, budget funds were set at UZS 63,691.6 billion.[10]

According to the analysis, budget funds in 2025 increased by UZS 12,516.8 billion, or 26.8%, compared with 2024. In 2026, growth of UZS 4,527.4 billion, or 7.7%, was observed compared with 2025.

Overall, the budget funds envisaged for the Ministry increased by 36.6% in 2024–2026. This indicates that education is regarded as one of the priority areas of state fiscal policy.[11]

Figure 1. Dynamics of budget funds for the Ministry of Preschool and School Education (UZS billion)



At the same time, these figures represent the funds envisaged for the Ministry in the state budget parameters, and they cannot be interpreted solely as expenditure of general secondary education institutions. These funds also cover preschool education and other areas within the Ministry's system.[12]

2. Overall dynamics of public expenditure on education

When assessing the overall state of education financing, it is also important to analyse total state budget expenditure on the education sector.

According to data published in the official statistics system of the Statistics Agency under the President of the Republic of Uzbekistan, public expenditure on education followed the dynamics below in 2018–2025.[13]

Dynamics of public expenditure on education in the Republic of Uzbekistan

Table 2

Year	Public expenditure (UZS billion)
2018	20,721.1
2019	33,536.1
2020	29,961.1
2021	39,640.8
2022	50,271.3
2023	61,220.3
2024	71,240.5
2025	84,152.0

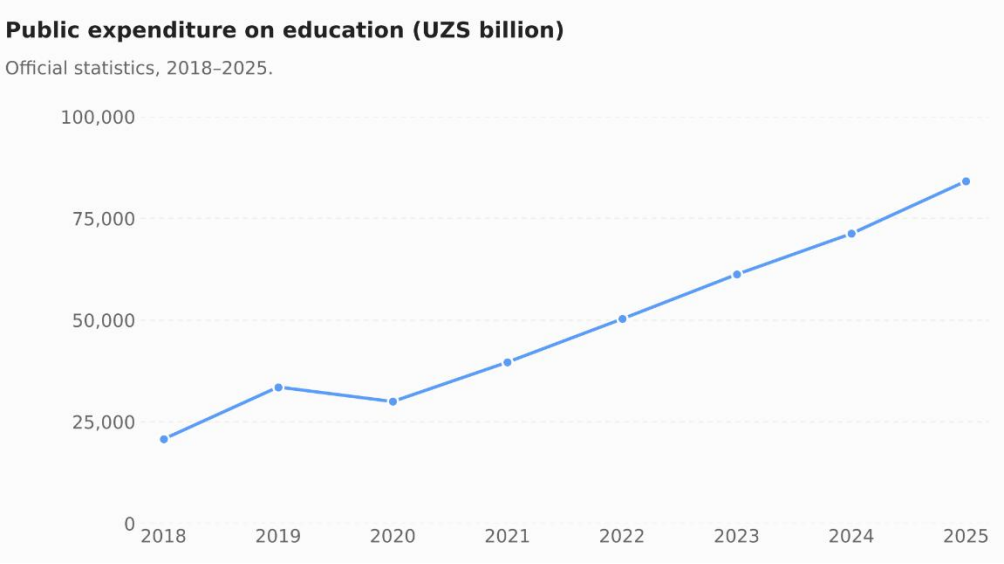
Source: SIAT official statistics database of the Statistics Agency. Unit of measurement: UZS billion.

Analysis of these data shows that public expenditure on education amounted to UZS 20,721.1 billion in 2018 and reached UZS 84,152.0 billion in 2025.

Thus, public expenditure on education increased roughly 4.1-fold over the period under review. Steady growth in expenditure was observed particularly in 2021–2025.

Expenditure declined in 2020 compared with 2019; it is advisable to assess this in the context of the economic and social conditions of that period.[14]

Figure 2. Dynamics of public expenditure on education (UZS billion)



It should be noted that this indicator reflects public expenditure on the education sector as a whole. It therefore cannot be equated solely with expenditure on public education or general secondary education.[15]

3. Structural areas of financing educational institutions

In financing general secondary education institutions, budget funds are distributed across several economic categories.

Among them, salaries of teaching and technical staff, social tax, utilities, teaching and learning materials, material and technical supplies, routine repairs, and capital expenditure play a major role.

Main expenditure categories in financing general education institutions

Table 3

No.	Expenditure category	Economic content
1	Salaries	Remuneration of teaching and other staff
2	Social tax	Mandatory payroll-related contributions
3	Utilities	Electricity, gas, water, and heating
4	Teaching and learning materials	Textbooks and study guides
5	Material and technical supplies	Computers, furniture, and educational equipment
6	Routine repairs	Maintenance and repair of buildings and facilities
7	Capital expenditure	Construction of new schools and reconstruction

Source: *Compiled by the author based on the economic expenditure categories of general education institutions.*

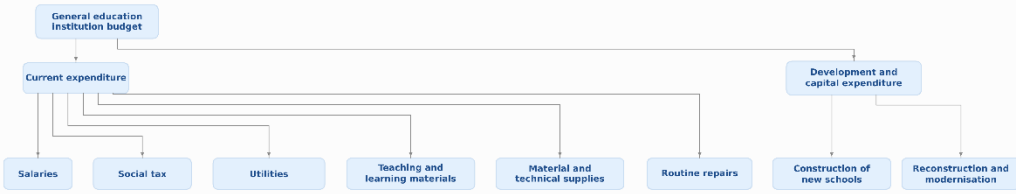
The 2026 state budget envisages allocating UZS 63,691.6 billion to the Ministry of Preschool and School Education. Of this, current expenditure amounts to UZS 63,191.6 billion. Funds are also provided for development programmes, textbook renewal, modernisation of computer classrooms, and other targeted areas.

In particular, for 2026 the budget envisages UZS 1,985.0 billion for renewing textbooks in general secondary education institutions, UZS 250.0 billion for replacing obsolete computer classrooms, and UZS 700.0 billion for recruiting foreign teachers.

These areas are aimed at strengthening the material and technical base of educational institutions, introducing modern technologies into the learning process, and updating learning resources.

At the same time, when assessing the efficiency of budget funds, account should be taken not only of the amounts allocated, but also of their actual utilisation, the extent to which purchased equipment is used, and their impact on educational outcomes.

Figure 3. Main expenditure categories in financing general education institutions



4. Analysis of existing problems in financing public education

Based on the theoretical and statistical analysis conducted, the following problems in financing the public education system can be highlighted.

First, the financial needs of educational institutions vary depending on the region, the number of students, the technical condition of school buildings, and the specifics of the educational process. The allocation of funds requires all of these factors to be taken into account comprehensively.

Second, because the bulk of budget expenditure goes to current needs, some schools may have limited financial capacity to update modern teaching equipment, laboratory facilities, and computer technology.

Third, there is a need to develop skills and competencies in financial planning and budget management within educational institutions.

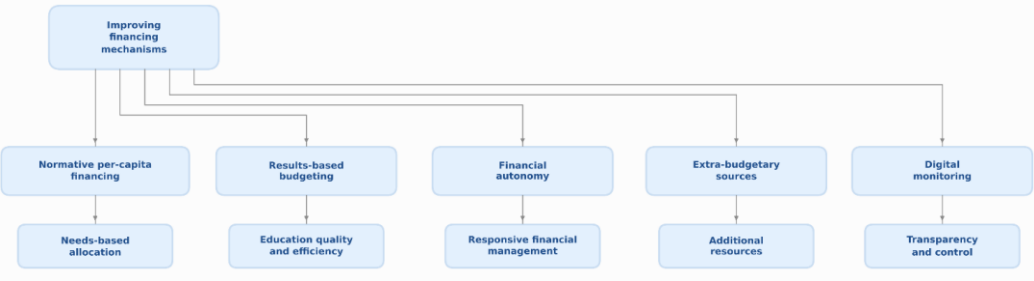
Fourth, when assessing the efficiency of budget spending, particular attention should be paid not only to the rate at which funds are disbursed, but also to their impact on the quality of education.

Fifth, it is necessary to expand the ability of educational institutions to attract extra-budgetary funds and to make effective use of sponsorship, grants, and public-private partnership mechanisms.

5. Directions for improving the mechanisms for financing public education

To address the existing problems in financing the public education system and to improve the efficiency of budget spending, it is advisable to pursue the following directions.

Figure 4. Improving the mechanisms for financing public education and expected outcomes



1. Improving the normative per-capita financing mechanism.

Budget funds allocated to educational institutions should be determined taking into account the number of students, class occupancy, the geographical characteristics of the region, the location of the school, and its material and technical needs.

In doing so, it is advisable to apply differentiated coefficients for small schools in rural areas, educational institutions in remote settlements, and schools attended by students with special needs.

2. Introducing a results-based budgeting system.

When assessing the efficiency of funds allocated to educational institutions, financial indicators should be complemented by students' academic performance, teachers' qualifications, the quality of education, and the condition of school infrastructure.

This requires a system of clear and measurable indicators for assessing the relationship between financial results and the quality of education.

3. Increasing the financial autonomy of educational institutions.

School principals should be given greater freedom to allocate budget funds according to the institution's priority needs within the established legal framework.

This can make the management of financial resources more responsive and ensure that funds are spent for their intended purpose.

4. Developing extra-budgetary sources of financing.

To expand the financial capacity of educational institutions, mechanisms should be developed for attracting international grants, sponsorship, public-private partnerships, and other sources not prohibited by law.

In this regard, it is important to ensure transparent reporting on how extra-budgetary funds are raised and spent.

5. Improving the digital financial monitoring system.

A system should be developed to monitor the planning, allocation, and spending of budget funds in educational institutions through a single electronic platform.

This mechanism will help strengthen financial discipline, reduce the risk of misuse of funds, and improve accountability.

Proposals for improving the mechanisms for financing public education

Table 4

No.	Area of improvement	Expected outcome
1	Normative per-capita financing	Needs-based allocation of funds
2	Results-based budgeting	Improved quality and efficiency of education
3	Expanding financial autonomy	Responsive management of financial resources
4	Attracting extra-budgetary sources	Generating additional financial resources
5	Digital monitoring	Greater transparency and financial control

Source: *Compiled by the author based on the research findings.*

Putting these proposals into practice will help strengthen the financial sustainability of public education institutions, ensure the targeted use of budget funds, and improve the quality of educational services.

4. Conclusion

The research analysed the current state of financing of the public education system in the Republic of Uzbekistan and led to the following conclusions.

First, financing the public education system is of great importance for the country's socio-economic development and is one of the main social expenditure areas of the state budget. The growth of funds envisaged for the Ministry of Preschool and School Education in 2024–2026 shows that financial support for the education sector is continuing.

Second, alongside increasing the volume of budget funds allocated to education, it is necessary to ensure their targeted allocation and economic efficiency, because an increase in financial resources does not automatically produce a proportional improvement in the quality of education.

Third, in financing educational institutions, it is important to take into account the number of students, regional characteristics, the material and technical condition of schools, and their real financial needs.

Fourth, assessing the efficiency of budget spending requires taking into account not only the funds allocated and their disbursement rate, but also their impact on the quality of education.

Fifth, increasing the financial autonomy of educational institutions, developing extra-budgetary sources of financing, and improving the digital financial monitoring system will help ensure the financial sustainability of the sector.

Overall, improving the mechanisms for financing the public education system is one of the key prerequisites for increasing the efficiency of state budget funds, expanding the financial capacity of educational institutions, improving the working conditions of teaching staff, and raising the quality of education.

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