



MODERNIZATION OF FINANCING MECHANISMS PENSION FUND IN TERMS OF COMPLIANCE WITH MODERN REQUIREMENTS OF SOCIAL POLICY

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Received:	17 th September 2023	The article describes the transformations that have developed as a result of a long-term phased modernization of pension provision in the context of modern requirements of the social policy of the Republic of Uzbekistan in accordance with the principle of social justice. It is noted that the modernization of pension provision and the improvement of the forms and methods of mobilizing the necessary financial resources for this, involve an analysis of the economic essence of certain types of pension payments on the basis of participation in the period of working capacity or non-participation of a pensioner in labor activity. In addition, the article provides specific proposals to establish the level of the pension contribution of economic entities and the need to mobilize the amount of funds that can fully cover the costs associated with pension payments.
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The transformation of the pension system that has developed as a result of a long, phased modernization is aimed at bringing it into line with modern requirements of social policy. This applies to the part of the population that has reached retirement age, in accordance with the guarantee of the real provision of pension payments under the conditions of their appointment and the norms for calculating their amounts provided for by Law. Moreover, there is a tendency to increase the proportion of this category of population in the Republic of Uzbekistan (see Table 1). The Pension Fund is aimed at creating material prosperity for them by providing pensions and other payments for disability, as well as by revising the size of pensions as the cost of living changes. This is manifested annually by the decision to increase the amount of pension payments (see Table 2). The change in the cost of living should be adequate to the mechanism of mobilization and use of financial resources for these purposes.

The pension system functions within the framework of the general social security system, because it covers not only the payment of pensions and benefits of all kinds, but also various forms of social, medical, sanatorium-

resort services for the population, maintenance and maintenance of the elderly and disabled. These areas have not only their own specifics of development and financing, but each of them is aimed at the consistent implementation of the principle of social justice.

The pension fund, which accumulates part of the country's financial resources, primarily provides for the payment of pensions. At the same time, a distinctive feature in the relationship between the Pension Fund and other items of expenditure of the state budget is the refusal of the amount of allocations in the form of subsidies. The development of own sources of financing is now achieved by increasing the level of contribution rates for these purposes. Modernization of the channels of receipt of financial resources for the purposes provided by the Pension Fund towards the preferential use of the insurance method has a deep socio-economic content and for the effective operation of the system of providing disabled groups of the population.

Pension contributions are accumulated in the Pension Fund without merging with insurance premiums and other funds that have a different functional purpose and direction of use, because the Pension Fund contributes to the implementation of not only the principle of



material interest, but also the principle of personal responsibility of the employee for tomorrow throughout his work. In addition to the mandatory pension contributions of economic entities, individual citizens, state budget funds, voluntary contributions from citizens, legal entities, charitable foundations, etc. can be received into the mentioned fund. An additional source may also be the increments of the Pension Fund's resources as a result of the effective organization of financial and economic activities.

The modernization of the pension system and the improvement of the forms and methods of mobilizing the necessary financial resources for this involve an analysis of the economic essence of certain types of pension payments. The types of the latter, for example, can be divided on the basis of participation in the period of working capacity or non-participation of a pensioner in labor activity into two groups. In accordance with this classification, the sources of their financing can also be established.

So, if the first group can be made up of payments and services due to the direct labor participation of their recipients, then the second group includes payments and benefits that are not directly related to work and in practice can be determined taking into account social factors. These differences between labor pensions and social benefits also predetermine differences in sources of financing, because social benefits assigned to disabled citizens in the absence of the right to a labor pension are guaranteed by the state and are provided with revenues from the state budget.

The amount of deductions for social benefits can be determined taking into account the fixed size and number of recipients. All kinds of additional payments to them are not excluded and it is possible to attract decentralized funds, the size and frequency of payments from which depend on their financial capabilities.

So, pensions earned by useful work should be paid, with all the conditions that follow, also from social insurance funds, because insurance contributions of economic entities for certain types of payments represent part of the costs and act as an element of production costs. Therefore, they significantly affect the formation of prices. That is why a strictly justified determination of the amount of pension funds included in production costs is of great importance. But at the same time, the human factor must be taken into account – ensuring its well-being and security, the desire to live and create in harmony with production costs, i.e. social insurance, as an element of costs, must be firmly fixed in production

costs. From the point of view of the sustainable functioning of the workforce, it is quite legitimate for the Pension Fund to gradually accumulate that part of the additional product within the consumption rate of a functioning employee, which will be consumed by him from the retirement period. Being a part of the general fund of compensation for the total labor expended by the employee, it is created during his working life. This should become a natural process. Because part of the additional product within the framework of social security, in the end, is reflected not only in the cost price, but also contributes to the formation of prices, that is, it can actively influence the factors of cost and price formation. Regulation of the latter requires a kind of progressive orientation (breakthrough), i.e. it is necessary to move from justifying certain types of price formation practices to the practice of state influence on prices, to the development of a viable, often long-term economic strategy in the field of prices, the implementation of which would allow in practice to solve the whole complex of contradictions associated with them.

The solution of problems in the field of prices should be aimed at curbing inflation, at the formation of monetary funds necessary for the renewal of production, its modernization and expansion, at accelerating the growth rate of innovation activity of the economy. All the methods of combating inflation that exist so far must be effective so that non-equilibrium processes in the field of prices are not further aggravated.

Hence the conclusion that the price and its regulation should be designed to ensure the reliability and stability of the formation and use of social security funds, including the Pension Fund.

In an emerging market environment, the cost of production should be more fully taken into account all the costs of its production. In other words, the costs of production should include the costs of labor reproduction (see Figure 1). Since part of the salary takes the form of social insurance payments, these costs should be included in the costs of production.

So, the reliability of the sources of Pension Fund formation largely depends on the validity of methodological developments in determining the forms and methods of mobilizing financial resources. The starting point for establishing the level of the pension contribution of economic entities is, in our opinion, the need to mobilize the amount of funds that would fully cover the costs associated with the payment of pensions. Such an order will contribute, firstly, to the reflection of real labor costs in the cost of production,



and, secondly, it will meet the requirements of innovative economic development. In addition, the implementation of this approach to pension financing will be aimed at improving pricing. This is due to the fact that the current low tariff distorts the level of production costs, which does not contribute to the rational use of public funds. Sometimes it generates dependency.

The new size of a single social payment with a target direction, in particular, to the Pension Fund, to the Employment Fund, to trade unions, is constantly decreasing, because as citizens' pension provision was modernized, new urgent measures and norms requiring additional costs were included in it. Now it is difficult to fully assess how optimal is the established single level of social payment to the Pension Fund, which has become the starting point for the mobilization of Pension Fund resources. The implementation of the Law on Pensions in practice should have revealed both new needs for funds and new reserves for improving its sources. According to the Law, amendments can be made, as a rule, not immediately. But already now it is necessary to develop methodological foundations for such a revision of its size, based on the analysis of practice materials and scientific developments

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