ORGANIZATIONAL AND ECONOMIC MECHANISMS FOR STRENGTHENING FINANCIAL DISCIPLINE AND REDUCING NON-TARGETED EXPENDITURES IN NATURAL MONOPOLY ENTITIES.

Begalov Sherzod Maxsutaliyevich

lecturer, department of economics and finance

Angren University

ORCID: 0009-0001-9689-7056

E-mail: begalovserzod@gmail.com

https://doi.org/10.5281/zenodo.20826849

Abstract. This article examines the organizational and economic mechanisms for strengthening financial discipline and optimizing non-targeted expenditures in natural monopoly entities. The study evaluates the effectiveness of an institutional model based on centralized financial planning and the financial accountability of regional divisions, using "Hududgazta'minot" JSC as a case study. The author demonstrates, through quantitative evidence, that the establishment of a systematic control framework creates significant opportunities for reducing budget variances and minimizing non-targeted expenditures.

Keywords: natural monopoly, financial discipline, non-targeted expenditures, institutional model, centralized planning, Hududgazta'minot JSC, financial control, efficiency.

Introduction. In the modern economic environment, natural monopoly entities, particularly gas supply companies, represent not only key providers of energy security but also strategic structures that function as the "lifeblood" of the national economy. The stable operation of this sector plays a decisive role in industrial development, public welfare, and the formation of the state budget's revenue base. However, the limited competition and complexity of operational processes inherent in natural monopolies make the strengthening of financial discipline and the improvement of cost efficiency increasingly important.

Within the framework of the Presidential Decree of the Republic of Uzbekistan on economic liberalization and the transformation of large state-owned enterprises (PF–6096, 2020), ensuring financial transparency in natural monopoly entities has been identified as a priority task. Financial discipline in natural monopoly enterprises is not merely a matter of accounting accuracy; it is also a guarantee of affordable tariffs for consumers and the rational use of public resources.

To date, logical inconsistencies between centralized planning and regional execution have contributed to the emergence of non-targeted expenditures and weakened budgetary discipline within the sector. Consequently, these issues reduce the investment attractiveness of enterprises and create financing deficits for infrastructure projects. Therefore, improving the organizational and economic mechanisms of financial decision-making, clearly defining the financial accountability of regional divisions, and developing institutional models for cost optimization constitute the main scientific focus of this research.

This article analyzes innovative approaches to reducing non-targeted expenditures through improving financial control efficiency in natural monopoly entities, using Hududgazta'minot JSC as a case study. Within the framework of this study, an institutional model was developed that balances centralized planning with decentralized accountability in the management of natural monopoly entities. The distinctive feature of this model lies in the introduction of real-time monitoring of regional divisions’ expenditure estimates and the implementation of a “discipline index,” which serves as an organizational and economic foundation for eliminating non-targeted expenditures.

Literature Review. Issues related to ensuring financial discipline and improving cost efficiency in natural monopoly entities occupy a central position in global economic thought. In particular, R. Coase, one of the leading representatives of institutional economics, emphasized the importance of optimizing transaction costs and strengthening internal control mechanisms in large corporate structures (Coase, 2007). According to his view, hierarchical structures and planning systems within enterprises should contribute to reducing costs more effectively than market mechanisms.

Foreign scholars E. Atme and H. Tiller demonstrated the existence of the "agency problem" in energy companies operating under natural monopoly conditions (Atme & Tiller, 2021). According to their findings, asymmetric information flows between central management and regional divisions lead to increased non-targeted expenditures and weakened financial discipline. To address this issue, the authors proposed the implementation of strict digital accountability monitoring systems.

Russian economist V.V. Kovalev developed the methodological foundations of budgetary discipline in corporate financial management (Kovalev, 2019). He interprets financial control not merely as an accounting function but as an integral component of an enterprise's organizational and economic mechanism.

Local scholars have also paid considerable attention to this issue. In particular, N.X. Jumaev examined financial stability and resource management efficiency in the process of transforming natural monopoly entities (Jumaev, 2021). Likewise, D.Sh. Sultanov conducted research on improving organizational mechanisms of cost management in industrial enterprises and highlighted the significance of internal control systems in reducing production costs (Sultanov, 2019).

At the same time, the analysis of existing literature indicates that institutional models integrating centralized financial planning with clearly defined financial accountability of regional divisions remain insufficiently explored. In many cases, studies are limited to financial analysis methods and fail to reveal the organizational and economic mechanisms capable of significantly reducing the gap between planned and actual performance (from UZS 27 billion to UZS 8 billion). The approach proposed in this study differs from previous research by emphasizing financial discipline not merely as an administrative requirement but as a system supported by clearly defined responsibilities for each regional division and digital monitoring algorithms.

Research Methodology. The conceptual framework of this study is based on the principles of detailing management functions and optimizing internal regulations of business entities. Using Hududgazta'minot JSC as a case study, a special algorithm was implemented to coordinate financial expenditures and establish strict control over the financial activities of subordinate units.

To digitalize the relationship between economic indicators and disciplinary processes, multidimensional mathematical expectation methods and comparative ranking techniques were employed. A “scenario forecasting” model was introduced to control expenditures, accompanied by a digital “barrier mechanism” capable of automatically screening each financial transaction. The empirical basis of the research consists of the company’s accounting records and internal audit reports for 2024–2025, which were processed using grouping and analytical methods.

Analysis and Results. The essence of the new institutional model implemented in Hududgazta'minot JSC lies in maintaining centralized control over financial resources while clearly defining the independent accountability of each regional division. Within this mechanism, the allocation of financial resources operates through a combination of top-down planning and bottom-up accountability principles.

The analysis revealed several positive outcomes from the transformation of financial processes:

As a result of the detailed institutional framework, the discrepancy between planned and actual expenditures of regional divisions—previously considered a systemic problem—decreased from UZS 27 billion to UZS 8 billion, reducing planning errors by approximately 3.3 times.

Improvements in monitoring systems designed to identify deviations from financial regulations and internal procedures enhanced the personal accountability of regional managers and increased the effectiveness of control algorithms. Consequently, the number of recorded violations of financial discipline declined from 21 cases to 6 cases per year.

A digital “barrier mechanism” was introduced to prevent expenditures unrelated to the company’s core operations. This mechanism filters operational expenditures at the execution stage by assessing their compliance with established objectives. As a result, the company successfully prevented approximately UZS 19 billion in economically unjustified and non-targeted expenditures.

These findings confirm that the proposed organizational and economic mechanism contributes significantly to strengthening financial discipline, improving accountability, and enhancing the efficient use of financial resources in natural monopoly entities.

Table 1

Dynamics of Financial Indicators of Hududgazta'minot JSC

Indicator	**Before Model Implementation**	**After Model Implementation**	**Change Index**
Expenditure variance (UZS billion)	27	8	–3.37 times
Cases of financial discipline violations (number)	21	6	–3.5 times
Prevented non-targeted expenditures (UZS billion)	–	19	New indicator

Source: Developed by the author based on the 2024–2025 financial statements and internal audit reports of Hududgazta'minot JSC.

Analytical findings indicate that the organizational and economic mechanism based on digital control and personal accountability not only contributes to cost savings but also enhances the transparency of the company's internal management system to the level of international standards.

Conclusion and Recommendations. The research conducted on strengthening financial discipline in natural monopoly entities, particularly in the gas supply sector, has led to the following conceptual conclusions:

First, it has been proven that the integration of a centralized management system with the personal financial accountability of local divisions is a key factor in ensuring the internal stability of an enterprise. Such an approach preserves the strategic control of higher management levels over resource allocation while fundamentally transforming the culture of financial resource utilization within subordinate structures.

Second, the organizational and economic mechanism implemented in Hududgazta'minot JSC significantly improved the alignment between forecasted and actual performance indicators. The 3.3-fold reduction in the gap between planned and actual results demonstrates increased transparency in financial planning and strengthened budgetary discipline at the regional level.

Third, the introduction of digital “barrier” algorithms prevented approximately UZS 19 billion in non-targeted and economically unjustified expenditures. This confirms that, under natural monopoly conditions, the most effective way to control operational expenditures is not through administrative directives but through automated filtering systems.

In our view, the following practical recommendations should be considered:

In large strategic enterprises with state participation, financial decision-making should be organized not only within centralized expenditure limits but also on the basis of the personal accountability of each regional division functioning as a “responsibility center.”

To reduce violations of financial discipline, digital control systems that minimize the impact of the human factor and automatically classify payments according to their intended purpose should be widely implemented.

REFERENCES

1. Coase, R. (2007). Firma, rynok i pravo [Firm, Market and Law] (B. Pinsker, Trans.). Moscow: Novoe Izdatelstvo.
2. Begalov, S. M. (2024). Main directions for improving the efficiency of the coal industry management system. In Voprosy upravleniya i ekonomiki: Sovremennoe sostoyanie aktualnykh problem (Proceedings of the XC International Scientific and Practical Conference, No. 12(80)). Moscow: Internauka.
3. Atme, E., & Tiller, H. (2021). Agency problems and financial discipline in natural monopoly energy companies. Journal of Corporate Finance and Economics, 14(3), 45–58.
4. Begalov, S. M. (2025). Ways to improve the efficiency of the financial management system in enterprises. Innovation Science and Technology, 1(11), 4–8. https://doi.org/10.5281/zenodo.17622392
5. Kovalev, V. V. (2019). Upravlenie denezhnymi potokami, pribylyu i rentabelnostyu [Management of Cash Flows, Profit and Profitability]. Moscow: Prospekt.
6. Jumaev, N. X. (2021). O‘zbekistonda valyuta munosabatlarini tartibga solish va makroiqtisodiy barqarorlikni ta'minlash yo‘nalishlari [Directions for Regulating Currency Relations and Ensuring Macroeconomic Stability in Uzbekistan]. Tashkent: Fan.
7. Begalov, S. M., & Husniddinov, S. S. O‘g‘li. (2026). The financial impact of the Law “On Subsoil Use” on mining enterprises. Shokh Articles Library, 1(1).
8. Sultonov, D. Sh. (2019). Sanoat korxonalarida xarajatlarni boshqarishning tashkiliy-iqtisodiy mexanizmini takomillashtirish [Improvement of the Organizational and Economic Mechanism of Cost Management in Industrial Enterprises] (DSc dissertation abstract). Tashkent State University of Economics, Tashkent.

9. Begalov, S. M., & Abdullaeva, N. Kh. (2026). Reducing agency problems in the financial market based on ESG principles: A new approach in the context of the Uzbekistan–2030 Strategy. Ilm-Fan Xabarnomasi, 12(2).
10. President of the Republic of Uzbekistan. (2020, October 27). Decree No. PF-6096 "On Measures to Accelerate the Reform of State-Owned Enterprises and Privatization of State Assets". Tashkent, Uzbekistan.