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UTILIZATION OF FINANCIAL INFORMATION FOR MANAGEMENT DECISION-MAKING IN BUDGET ORGANIZATIONS

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Abstract

The effective management of public financial resources increasingly depends on the availability of reliable and decision-useful financial information. In budget-funded organizations, accounting and financial reporting traditionally focus on recording transactions, monitoring budget execution and ensuring accountability. However, the growing emphasis on efficiency and results requires financial information to serve a broader managerial function. This study examines the role of financial information in management decision-making and analyzes selected international practices of integrating financial and performance information in the public sector. The research applies comparative analysis, document analysis and synthesis, focusing on the experiences of Australia, New Zealand, France and the United Kingdom. The analysis demonstrates that international public financial management systems increasingly connect financial resources with outputs, outcomes and performance indicators. At the same time, international experience shows that performance information should generally inform managerial decisions rather than automatically determine the level of funding. Based on the comparative analysis, the study proposes an integrated approach for budget-funded organizations in Uzbekistan that combines financial information, planned and actual expenditure analysis, deviation assessment, selected performance indicators and efficiency evaluation. The proposed approach can strengthen the analytical function of accounting and financial reporting and contribute to more informed resource allocation and more effective use of public funds.

Keywords: budget-funded organizations, financial information, management decision-making, public sector accounting, financial reporting, performance budgeting, public financial management, resource allocation.

The effective and rational use of public financial resources is one of the important objectives of modern public financial management. Budget-funded organizations perform socially significant functions and use public resources to provide services and achieve institutional objectives. Therefore, the assessment of their activities cannot be based exclusively on the amount of financial resources allocated or the percentage of budget execution. Increasing attention is being paid to the relationship between resources, activities and results.

Financial information generated by accounting and financial reporting represents an important source for managerial decision-making. The International Public Sector Accounting Standards Board emphasizes that general-purpose financial reporting should provide information useful for both accountability and decision-making. This is particularly significant in the public sector, where organizations primarily exist to provide services rather than generate profits [1].

At the same time, financial reporting is predominantly retrospective. It provides information about financial position, expenditure, budget execution and other financial results, while managers often require information that explains why deviations occurred, whether resources were used efficiently and what consequences particular decisions may have for future activities. This creates a need to strengthen the analytical function of financial information. Instead of considering financial reports merely as documents prepared after the completion of financial operations, they can be used as an information base for planning, monitoring, evaluation and corrective management decisions.

The development of performance budgeting provides evidence of this broader approach. According to the OECD, performance budgeting involves the systematic use of performance information to inform budget decisions and strengthen the relationship between resources and results [2]. In 2023, 28 of 33 surveyed OECD countries reported using some form of performance budgeting, demonstrating the increasing importance of performance-oriented approaches in public financial management [3].

The role of accounting and financial reporting in public-sector decision-making has therefore expanded alongside reforms in public financial management. Traditional public budgeting primarily emphasized financial discipline, compliance with approved appropriations and control over expenditure. Contemporary approaches increasingly focus on whether allocated resources generate the expected outputs and outcomes. The public-sector financial reporting framework also recognizes that information should enable users to assess accountability and make decisions concerning the allocation and use of resources [1].

The OECD's research further demonstrates that performance budgeting does not imply that financial resources should be determined exclusively by performance results. Rather, performance information can provide additional evidence for prioritization, resource allocation and managerial decisions [2]. Different countries have developed different mechanisms for incorporating performance information into their budget systems, with some systems emphasizing outcomes and others focusing on programmes, outputs or organizational performance [4].

An important issue is therefore not simply the availability of more information but the quality, relevance and usability of information. Excessive numbers of indicators may increase reporting requirements without necessarily improving managerial decisions. Effective systems require a manageable set of indicators that can complement financial information and provide a clearer understanding of organizational performance.

Financial information can support management decisions at different stages of organizational activity. During planning, it provides information about available resources and expected expenditure. During implementation, it allows managers to compare actual expenditure with approved plans. After implementation, financial data can be analyzed to identify deviations and assess the financial consequences of decisions. However, the budget execution rate by itself does not provide a complete picture of organizational effectiveness.

For example, suppose two budget-funded organizations each execute 95% of their annual budget. From a purely financial perspective, their results appear similar. However, one organization may have achieved all planned service targets, while the other may have failed to provide a significant proportion of its planned services. Thus, identical levels of financial execution can correspond to very different organizational results. This demonstrates why financial information should be interpreted together with performance information.

Financial information can answer questions such as how much was allocated, how much was spent and where resources were used. Performance information can help determine what was achieved, whether planned objectives were reached and what results were obtained with the resources used. Another important issue is the interpretation of deviations. Lower-than-planned expenditure cannot automatically be considered positive. It may indicate savings and improved efficiency, but it may also result from delayed procurement, incomplete implementation or failure to provide planned services. Similarly, expenditure exceeding the initial plan may sometimes be justified by increased service volumes or unexpected circumstances.

Australia provides an example of an outcomes-and-outputs-oriented approach to public budgeting. Its framework connects government activities with outcomes and requires information on outputs and performance measures. The approach seeks to make the relationship between government resources,

activities and expected results more visible [5]. The main lesson is that financial resources should be considered in connection with the outputs and outcomes for which those resources are allocated.

New Zealand has developed a performance-informed approach in which performance information is incorporated into spending and management decisions. An important characteristic is that performance does not automatically determine funding levels. This is relevant for budget-funded organizations because performance can be influenced by factors beyond direct managerial control [6]. For Uzbekistan, this suggests that performance indicators should function primarily as an analytical instrument supporting managerial judgment.

France provides an example of programme-based budgeting in which budget resources are connected with programmes, objectives and performance indicators. This structure makes it possible to analyze financial resources in relation to the purposes for which they were allocated. The French experience also illustrates the importance of maintaining a manageable set of meaningful indicators rather than creating excessive reporting requirements [7].

The United Kingdom provides an example of integrating financial and performance information in government reporting. Financial statements can be considered alongside information on performance and accountability, giving users a broader understanding of how public resources were used and what was achieved [4].

The comparison of these approaches demonstrates several common principles. First, international systems increasingly move beyond evaluating public organizations solely on the basis of expenditure execution. Financial information remains fundamental, but it is complemented by information about outputs, outcomes and service performance. Second, performance information is generally used to inform decisions rather than mechanically determine them. OECD analysis indicates that countries do not simply increase or decrease funding automatically according to performance results [2]. Third, the value of information depends on its relevance and usability. A large number of indicators does not necessarily produce better decisions.

Table 1: Comparative analysis of financial and performance information in selected countries

Country	Main approach	Financial information	Performance information	Main management use	Key lesson for Uzbekistan
Australia	Outcomes and outputs	Resources and expenditure related to activities	Outputs and outcomes	Assessment of activities and results	Connect financial resources with measurable results
New Zealand	Performance-informed budgeting	Budget and expenditure information	Performance and results	Spending and prioritization decisions	Use performance information to inform, not automatically determine, funding
France	Programme-based budgeting	Programme-level resources and expenditure	Objectives and performance indicators	Programme assessment	Connect resources with programmes

					and objectives
United Kingdom	Integrated reporting	Financial statements and financial results	Performance and accountability information	Comprehensive organizational assessment	Interpret financial and performance information together
Uzbekistan – proposed approach	Integrated financial-performance approach	Budget execution, expenditure and deviations	Selected output, efficiency and result indicators	Resource allocation and corrective decisions	Transform financial data into decision-useful management information

Source: compiled by the author based on [4–8].

The comparison demonstrates that international practice is moving away from evaluating public organizations exclusively through financial execution. The financial dimension remains the foundation, but its interpretation becomes more meaningful when it is connected with organizational objectives and results. At the same time, international experience does not support an automatic relationship between performance and funding. This is particularly important because public-sector performance is affected by social, economic and external factors that may be outside management's direct control.

Based on these findings, an integrated approach can be proposed for budget-funded organizations in Uzbekistan. The proposed mechanism begins with the collection and verification of reliable financial information on budget allocations, actual expenditure and other relevant indicators. The next stage is a systematic comparison of planned and actual results. A basic deviation can be calculated as: Deviation = Actual expenditure − Planned expenditure. The deviation rate can be expressed as: Deviation rate = (Actual expenditure − Planned expenditure) / Planned expenditure × 100.

The identification of a deviation should be followed by an analysis of its causes. These may include changes in prices, procurement delays, changes in service volumes, incomplete implementation of planned activities or unexpected expenditure. The purpose is not simply to identify differences but to determine which deviations require managerial attention.

The next stage is the integration of financial and performance indicators. Depending on the organization, these may include the number of services provided, number of beneficiaries, cost per service, implementation rate of planned activities, achievement of organizational objectives, service quality and efficiency of resource utilization. Such a combination makes it possible to assess financial results in relation to the outputs and results achieved.

Table 2: Illustrative integrated assessment of financial and performance indicators

Indicator	Planned	Actual	Deviation	Possible interpretation
Budget expenditure	100%	96%	−4%	Requires analysis of reasons
Planned services	100%	100%	0%	Target achieved
Service quality	100%	97%	−3%	Corrective action may be required

Cost per service	100 units	96 units	−4%	Potential efficiency improvement

Source: developed by the author.

The table illustrates why financial information should be interpreted together with performance information. The 4% lower expenditure does not automatically mean that resources were used more efficiently. If service quality simultaneously declined, the lower expenditure may instead reflect under-implementation. Therefore, the analytical task of management is to determine the relationship between financial deviations and actual organizational results.

Following integrated assessment, managers can make decisions concerning resource allocation, procurement, expenditure optimization, activity prioritization and corrective measures. The international experience suggests that performance information should inform such decisions rather than automatically determine funding levels [9, 10]. If resources are reallocated, the organization should subsequently evaluate whether the change improved the relevant performance indicators. If expenditure is reduced, management should determine whether service quality and volume have been maintained.

The proposed mechanism therefore creates a feedback relationship between accounting information, management decisions and future planning. Its purpose is not to replace existing accounting and financial reporting systems but to increase the analytical value of information already generated within them. This distinction is important because the development of management-oriented financial information should not necessarily require the creation of a parallel reporting system.

The findings indicate that the main challenge is not the absence of financial information but its limited transformation into analytical management information. Traditional financial reporting remains essential for accountability, control and transparency, while management requires information that also explains the relationship between resources and results. International experience demonstrates that this transformation can be achieved by combining financial data with selected performance information and appropriate analytical procedures.

The proposed approach is particularly relevant for budget-funded organizations because their performance cannot be adequately assessed through financial indicators alone. The social nature of their activities means that expenditure should ultimately be considered in relation to services delivered and objectives achieved. At the same time, only indicators that are directly relevant to organizational objectives should be incorporated in order to avoid excessive reporting requirements.

The study shows that financial information can perform a broader function in public financial management than simply documenting the use of public funds. The experiences of Australia, New Zealand, France and the United Kingdom demonstrate different institutional mechanisms, but they share a movement toward connecting financial resources with outputs, outcomes and performance information. This provides a useful basis for adapting relevant principles to the Uzbek context.

The proposed integrated financial-performance approach combines financial data, planned and actual expenditure analysis, deviation analysis, selected performance indicators, efficiency assessment, management decisions and evaluation of results. Its practical advantage is that it strengthens the decision-making function of existing accounting and financial reporting without requiring their complete replacement.

Implementation of such an approach could contribute to more informed resource allocation, earlier identification of inefficient expenditure, improved management control and more effective use of public financial resources. Ultimately, the development of financial information in budget-funded organizations should move from the predominantly retrospective question “How much was spent?” toward the broader management question “What was achieved with the resources spent, why did the result occur, and what decision should follow?”

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