

**IMPROVING THE STATE'S FISCAL POLICY IN THE CONTEXT OF
MACROECONOMIC STABILITY**

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Abstract. This article is devoted to the issues of improving the state's fiscal policy in the context of ensuring macroeconomic stability. Amid accelerating economic transformation, global challenges, and increasing fiscal pressure, the government faces the task of developing a flexible and balanced fiscal strategy. The study analyzes key directions of tax and budgetary policy, including expanding the revenue base, optimizing budget expenditures, enhancing the targeting of social transfers, and reforming intergovernmental fiscal relations. Special attention is given to the role of institutional reforms, digitalization of public financial management, and attracting sustainable sources of financing in ensuring long-term fiscal stability. Based on the analysis conducted, practical recommendations are presented to improve the effectiveness of fiscal policy considering the goals of sustainable development and the country's economic security.

Keywords: fiscal policy, macroeconomic stability, budgetary system, tax and budget reforms, sustainable development, public finance.

Introduction. In the current conditions of sustainable development, effective fiscal policy acquires particular importance, as it not only ensures the balance of the state budget but also serves as an effective tool for stimulating economic growth. For Uzbekistan, which is undergoing deep economic transformation, institutional modernization, and expansion of private sector participation, the issues of improving the tax and budget system take on a strategic character.

The formation of a flexible, predictable, and results-oriented fiscal policy becomes a crucial condition for achieving macroeconomic stability, enhancing investment attractiveness, and ensuring social stability. In this context, the tasks of strengthening the budget revenue base, improving intergovernmental fiscal relations, optimizing expenditures, and expanding digital solutions in public financial management become especially relevant.

The aim of this article is to study the current state and priority directions of fiscal policy development in the Republic of Uzbekistan in the context of achieving macroeconomic stability. The analysis considers both achievements and existing limitations affecting the effectiveness of fiscal regulation and proposes measures to improve the conducted policy's efficiency.

Research Methodology. The methodological foundation of the study consists of general scientific methods such as analysis and synthesis, induction and deduction, as well as comparative and systemic approaches. The information base includes official statistical data, regulatory legal acts, reports from international organizations, and scientific publications by domestic and foreign authors.

Literature Review. The issues of the impact of fiscal policy on macroeconomic stability and the improvement of tax and budgetary policy in various countries are reflected in the works of a number of contemporary domestic and foreign researchers.

According to A.E. Vikulenko and his co-authors, "the key task of fiscal policy is to smooth out cyclical fluctuations of the economy, as well as to create conditions for stable and sustainable

growth while maintaining high employment and a controlled level of inflation” [1]. We share this viewpoint, believing that a balanced fiscal strategy is precisely what can ensure macroeconomic stability, especially under conditions of global economic turbulence.

As noted by N.A. Poilov, “fiscal policy is one of the key instruments of the state’s economic strategy, enabling effective achievement of goals such as sustainable economic growth, reduction of unemployment, and alleviation of social inequality” [2]. In his opinion, the impact of fiscal mechanisms is realized through adjustments in the volume of government expenditures and tax revenues. We consider that it is the flexibility and timeliness of fiscal decisions that allow the state to promptly respond to changes in the macroeconomic environment and contribute to strengthening economic stability.

L.I. Dmitrichenko and his co-authors view fiscal policy as one of the key forms of macroeconomic activity of the state. They emphasize that “modern society faces a number of problems related to the imperfection of public choice mechanisms and decision-making processes that reflect the socio-economic interests of various groups. This, in turn, significantly affects the formation and implementation of state policy, including its fiscal component” [3]. Their research justifies the priority of fiscal policy as a direction of state economic strategy and its crucial role in the functioning of the macroeconomic regulation system. This approach is difficult to disagree with, as fiscal instruments enable flexible responses to internal and external challenges, ensuring stability and predictability of socio-economic development.

V.R. Burnashev emphasizes that “fiscal policy is an instrument of economic regulation through targeted changes in the structure of government revenues and expenditures aimed at maintaining its stability. The most effective ways to implement fiscal policy are legislatively established mechanisms that contribute to creating a favorable environment for economic growth” [4]. We believe that the legal framework for fiscal regulation plays a decisive role in ensuring the predictability and effectiveness of the state's economic policy, especially in conditions of increasing instability in the external economic environment.

According to H.S. Khudoynazarov, “in a transitional economy, balanced budgetary policy gains special significance, acting as a tool for both short-term countercyclical regulation and long-term economic growth stimulation. In the short term, fiscal measures help mitigate negative economic cycle fluctuations, while in the long term, optimization of tax bases and rates becomes a crucial condition for ensuring the sustainability and security of both the public and private sectors” [5]. From our point of view, this approach is justified because the balance between fiscal flexibility and strategic stability allows the state to effectively adapt to changes in economic conditions and create conditions for stable development.

B.B. Muratbayev, in his studies on the modernization of Uzbekistan’s tax and budget system, emphasizes that “the key task of modern financial policy is to stabilize the economy, including through limiting the state budget deficit. Achieving sustainable economic growth requires not only structural reforms but also overcoming the technological backwardness of the production sector” [6]. In his opinion, modernization and renewal of the production base should become priorities of state policy. We agree with this position, believing that without comprehensive development of the real economy sector, any budgetary measures will be limited and short-term in nature.

N. Kamilova and M. Eshkuvatov rightly emphasize that “tax and budgetary policy is one of the key mechanisms of macroeconomic regulation in a market economy. Through budget formation and tax system management, the state seeks not only to ensure the revenue part of the budget but also to actively influence economic dynamics. In the context of Keynesian theory, it is fiscal instruments - taxes and expenditures - that smooth out cyclical fluctuations: in downturns, expenditures are stimulated, and in overheating periods, restrictive policies are applied” [7]. We

believe that modern fiscal policy should consider not only the principles of fiscal sustainability and balanced budgets but also be oriented toward achieving goals such as aggregate demand growth, employment, and social stability. This is especially relevant for economies undergoing structural transformation.

H.S. Asatullaev in his works notes that “under conditions of innovative development, it is especially important to develop new approaches to state regulation to ensure sustainable economic growth and timely response to emerging challenges” [8]. He pays special attention to the need to increase the effectiveness of fiscal policy as an instrument for stimulating economic activity. We consider that in modern realities, fiscal policy should not only be a stabilization tool but also a source of long-term development oriented toward supporting innovations and structural transformations.

Results. The conducted research established that improving the state’s fiscal policy has a significant impact on maintaining macroeconomic stability. Optimization of the tax system and increasing the efficiency of budget planning contribute to reducing the budget deficit and controlling public debt, thereby strengthening financial stability. The analysis showed that the introduction of automatic stabilizer mechanisms and flexible adjustment of budget expenditures help smooth economic fluctuations and ensure more balanced economic development. The necessity of a comprehensive approach was also confirmed - one that considers both the stimulating role of fiscal policy during downturns and measures to prevent overheating of the economy during upswings. Based on the analysis of international experience, practical recommendations were identified to adapt fiscal policy to internal and external economic challenges. Overall, the results indicate that targeted fiscal policy reforms are an important tool for achieving long-term macroeconomic stability and improving the quality of economic growth.

Analysis. Fiscal policy serves as a tool for smoothing economic fluctuations, and its effectiveness is traditionally assessed through the lens of countercyclical. Within neoclassical models, fiscal policy is viewed as a factor affecting only the transition period to equilibrium but incapable of changing the equilibrium itself. At the same time, endogenous growth models suggest that fiscal policy can have a long-term effect on economic growth rates. The modern consensus among economists leans toward recognizing the long-term impact of fiscal policy, though disagreements remain regarding the channels of influence and optimal policy forms, which can vary significantly depending on the specific country’s characteristics. Most studies focus on developed economies, limiting the applicability of recommendations for developing countries and increasing the risk of suboptimal fiscal strategy choices.

Theoretical approaches to analyzing the impact of fiscal policy on growth are primarily based on endogenous growth models, as well as modifications of the Solow model and overlapping generations (OLG) models. Empirical evaluation of effectiveness employs dynamic panel data analysis methods, fixed-effects models, and cross-sectional approaches.

A key channel of fiscal policy’s long-term influence is the development of human capital: government investments in education and healthcare have the most notable positive effect on the economy. In addition, spending on research and development, infrastructure, and social protection can play a significant role, though their effectiveness is less unequivocal.

Tax policy affects growth by shaping incentives for economic agents. Corporate profit tax is considered most detrimental to growth, while property tax has the least distorting effect. The impact of progressive taxation remains controversial: on the one hand, it helps reduce inequality and potentially stimulates growth; on the other hand, there are opinions about its negative effects on economic dynamics.

A high level of public debt, primarily due to rising non-productive interest payments, generally slows economic growth, although researchers’ opinions on this matter remain divided. The size

of the government is also often associated with a negative impact on development, especially in high-income countries.

In the short term, fiscal policy demonstrates significant influence: in developed countries, it more often acts as a countercyclical regulator, although discretionary measures can become procyclical under political pressure. Conversely, in developing countries, fiscal policy is often procyclical due to limited access to debt resources.

Increasing public debt to finance non-productive expenditures is considered undesirable, whereas borrowing for investment projects may be justified and self-sustaining. Budget consolidation, especially through expenditure cuts, can strengthen economic stability. If consolidation is necessary through taxes, the value-added tax (VAT) is the most preferred option, though potential asymmetries in rate changes should be considered.

International organizations such as the IMF and World Bank highlight key principles of successful fiscal policy: countercyclicality, transparency and predictability, reliance on stable and reliable revenue sources, and efficient allocation of resources to priority areas such as education, infrastructure, and healthcare. In recent years, Uzbekistan's fiscal policy has been characterized by an active stimulative approach, reflected in steady growth in government expenditures. Special attention is paid to social programs, support for small and medium enterprises, and the development of infrastructure projects.

Uzbekistan's current budget strategy is based on principles of active government intervention aimed at supporting economic growth, improving social protection levels, and modernizing infrastructure. A characteristic feature of budget policy is the maintenance of a moderate budget deficit despite the expansion of government commitments, indicating a balanced approach to financing national priorities.

Discussion. The results obtained indicate that fiscal policy plays a key role in ensuring macroeconomic stability; however, its effectiveness directly depends on the flexibility and adaptability of the instruments used. Modern challenges such as global instability, external economic shocks, and internal structural changes require the state not only to exercise strict control over budget indicators but also to actively use fiscal stimuli to support economic activity. A crucial aspect is the balance between stimulative and restrictive measures, as confirmed by international experience. Excessive rigidity in budget policy may lead to slower economic growth and increased social tensions, whereas excessive expansion of expenditures raises the risks of inflation and worsening debt burdens. Therefore, adapting fiscal policy should be based on regular monitoring of the macroeconomic situation and forecasting possible changes.

Furthermore, improving the institutional environment and increasing transparency in budget processes play a significant role in strengthening trust from investors and society. Technical modernization of tax administration, digitalization, and combating tax evasion create additional opportunities to enhance fiscal policy effectiveness without increasing the tax burden.

The discussion also emphasizes the need to integrate fiscal policy with other economic measures, such as monetary policy and structural reforms, to exert a comprehensive impact on macroeconomic stability. Together, these approaches contribute to the formation of a resilient financial foundation capable of withstanding external and internal economic challenges.

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