

## THE ROLE OF FISCAL POLICY IN ENSURING THE STABILITY OF THE STATE BUDGET AND ITS FORMATION

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**Abstract:** *This article analyzes the role of fiscal policy and its main mechanisms in ensuring the stability of the state budget. It examines solutions to issues such as optimizing tax revenues, rationalizing expenditures, budget deficits, and debt burden. Based on Uzbekistan's experience in fiscal policy, the article presents proposals for effective budget management.*

**Keywords:** *state budget, fiscal policy, budget stability, budget deficit, taxes, public expenditures, debt burden.*

Ensuring sustainable economic development largely depends on sound public finance, particularly budgetary policy. Through the state budget, governments not only regulate economic activity but also address strategic objectives such as social stability, infrastructure development, and improving the standard of living. Therefore, every country seeks to carefully plan its fiscal policy to maintain balance between revenues and expenditures.

Fiscal policy refers to the government's methods of influencing economic processes through tax collection, public spending, and borrowing. Properly implemented fiscal policy stimulates economic growth, controls inflation, and ensures social protection. However, flawed taxation policies, excessive spending, or policies that lead to large budget deficits can threaten macroeconomic stability.

In recent years, Uzbekistan has aimed to reform its fiscal policy to make the budget more transparent and efficient. For example, in 2022, the state budget amounted to 26.4% of GDP, increasing to 27.1% in 2023. These fiscal indicators reflect the expansion of the revenue base and improvements in the taxation system.

Taxes form the core of budget revenues. The stability of tax collections depends on the implementation of fiscal policy. Expanding the tax base, reducing the shadow economy, and introducing electronic control systems play a significant role in this regard. Currently, Uzbekistan has introduced real-time Tax Monitoring Systems and remote audit methods, contributing to increased budget revenues.

However, the rise in revenue is accompanied by increased expenditures. In particular, allocations for social sectors—such as education, healthcare, and infrastructure projects—have increased yearly. This has led to growing budget deficits in some years. For example, the budget deficit was 15.3 trillion soums in 2022 and rose to 22.5 trillion soums in 2023.

Additionally, public debt approached 40% of GDP in 2021, raising concerns about fiscal sustainability.

International experience shows that the following principles are essential for ensuring fiscal stability:

- Maintaining a balance between revenues and expenditures;
- Allocating expenditures to priority areas;
- Limiting the level of debt and interest payments;
- Establishing fiscal rules and limits.

Uzbekistan has undertaken several positive reforms in this area. Notably, Presidential Decree PF-5953 (2020) initiated the "Open Budget" portal, strengthening public oversight over budget expenditures. This platform is a key tool for increasing fiscal transparency and public trust.

Furthermore, an approach based on international financial institutions' recommendations is being implemented—namely, the introduction of a medium-term budget planning system. This allows for replacing short-term annual policies with long-term strategic approaches to fiscal stability.

In conclusion, the stability of the state budget is determined not only by increasing revenues or reducing expenditures, but by the overall balance, effectiveness, and transparency of fiscal policy. The integration of information technologies in public finance management, implementation of international fiscal standards, and enhancement of dialogue with the public play a crucial role in this process. As a result, budget deficits can be controlled, economic stability ensured, and the financial well-being of citizens improved.

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