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# The Economic Essence and Assessment Criteria of State Budget Sustainability

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**Abstract:** This study examines the economic essence of state budget sustainability and identifies key criteria for its assessment in the context of global economic uncertainty. The research highlights the role of fiscal policy in ensuring macroeconomic stability, promoting social equity, and supporting long-term economic development. Particular attention is paid to the structure of budget revenues and expenditures, reforms of the tax system as well as efficiency of public expenditure. The analysis highlights the need for a moderate budget deficit, sustainable public debt levels and transparent fiscal management. Using the example of reforms currently underway in Uzbekistan, the study shows how elements such as tax liberalization, digitalisation of tax administration, and structural changes to income can help strengthen fiscal sustainability. The results highlight the importance of enhancing expenditure efficiency and fiscal risk management mechanisms, as well as establishing medium-term budget planning frameworks that will support stable economic growth.

**Keywords:** State Budget, Fiscal Policy, Budget Sustainability, Public Debt, Budget Deficit, Tax Reform, Expenditure Efficiency, Macroeconomic Stability, Fiscal Risks, Economic Growth

## 1. Introduction

In the context of growing economic interdependence and global uncertainty, ensuring the sustainability of public finances has become a top priority for governments worldwide. The state budget plays a fundamental role in regulating economic processes, redistributing national income, and financing social and development programs [1]. The stability of the state budget reflects fiscal discipline and is a key indicator of a country's overall macroeconomic resilience. Hence, understanding the economic content of state budget sustainability is necessary, as well as determining assessment criteria for its evaluation which will be aimed at achieving long-term economic stability. Sustainable state budgets are about more than balancing revenues with expenditures. It means the government is able to meet its current and future financial obligations without incurring too much debt or hampering growth. Tariff structure and adjustmentBudget sustainabilityThe goal of a sustainable budget is to provide a level of public spending that will help generate economic growth, social wellbeing, and increase the economy's productive capacity while maintaining manageable levels of deficits and public debt (Table 3) [2], [3]. In fact, in this view fiscal policy serves as an second-best stabilization tool to smooth cyclical fluctuations and external shocks. The sustainability of budgets has to be assessed with a view at both quantitative and qualitative indicators. These indicators include the budget deficit, public debt ratios (to GDP), revenue diversification,

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expenditure efficiency, fiscal risks as well as tax administration effectiveness. The overall stability of the whole system is further influenced by the structure of public spending and balance between direct and indirect taxation. While medium-term budget planning, transparency, and institutional capacity are important pillars to strengthen fiscal sustainability [4].

Maintaining state budget sustainability presents specific challenges for developing economies. Limited financial resources, demographic pressures, infrastructure demands, and exposure to external economic shocks necessitate the development of carefully designed fiscal strategies. Under these conditions, effective budget management and tax policy reforms are crucial for ensuring stable economic growth and social development [5], [6].

The purpose of this study is to investigate the economic characteristics of sustainability in state budget and delineate significant criteria for performance evaluation. The study aims to provide a systematic understanding of the problems of measurement and strengthening of fiscal stability in modern economic conditions through an analysis of theoretical approaches and practical indicators.

### **Literature Review**

The presence of state budget sustainability has been heavily investigated in academic literature with respect to economic theory, which applies within a broader framework of public finance and macroeconomic stability. Keynesian economists focused on stimulating the economy through increased government spending, believing that deficits can help boost economic activity during periods of recession or stagnation [5], [6]. The need to incorporate the transformative role played by macroeconomic dynamics in this process would later be met with a re-focus on budgetary constraints brought about by Keynesian theory, which explained temporary deficits as useful for inducing aggregate demand increases whenever shocks resulted in falling levels of output (movements down along the IS curve). So the theoretical debate has morphed away from hard-core budget balance doctrine to a more flexible reading of fiscal sustainability, where long-term solvency rather than annual balance is central.

Leading international monetary and financial organizations, like the International Monetary Fund and the World Bank, have paved the way for fiscal sustainability reviews by developing methodological frameworks. Such frameworks usually encompass the budget deficit-to-GDP ratio, public debt-to-GDP ratio, primary balance and exposure to fiscal risks as indicators. For instance, the IMF's Debt Sustainability Analysis (DSA) model assesses a country's capacity to cover its debt obligations given different macroeconomic environments [9], [10]. Using evidence from the fiscal adjustment literature, they highlight the importance of institutional quality, transparency and medium-term fiscal planning as fundamental aspects of sustainable budget management, echoing similar conclusions in a World Bank Report.

Against this background, recent academic literature emphasizes the need to consider the multi-faceted nature of fiscal sustainability. Researchers increasingly emphasize the importance of revenue diversification, efficient tax administration and quality of expenditure. The nature of taxation especially mix between direct and indirect taxes have been looked at as a variable affecting economic equity and growth. Research has suggested that countries with more reliance on direct taxation will get relatively higher social fairness and longer sustainability of income, whereas countries too much dependent on indirect taxes suffer from inequity and susceptibility to consumption shocks [11], [12].

## **2. Methodology**

This study applies a comprehensive and systematic methodological approach to examine the economic essence and assessment criteria of state budget sustainability. The research is based on both theoretical and empirical analysis, combining qualitative and

quantitative methods to ensure objective and reliable conclusions. First, general scientific methods such as analysis, synthesis, induction, deduction, and logical generalization are used to clarify the theoretical foundations of state budget sustainability. Through the analysis of economic theories and conceptual approaches in public finance, the study identifies the key characteristics of fiscal sustainability and determines its essential components within the broader framework of macroeconomic stability.

### 3. Results

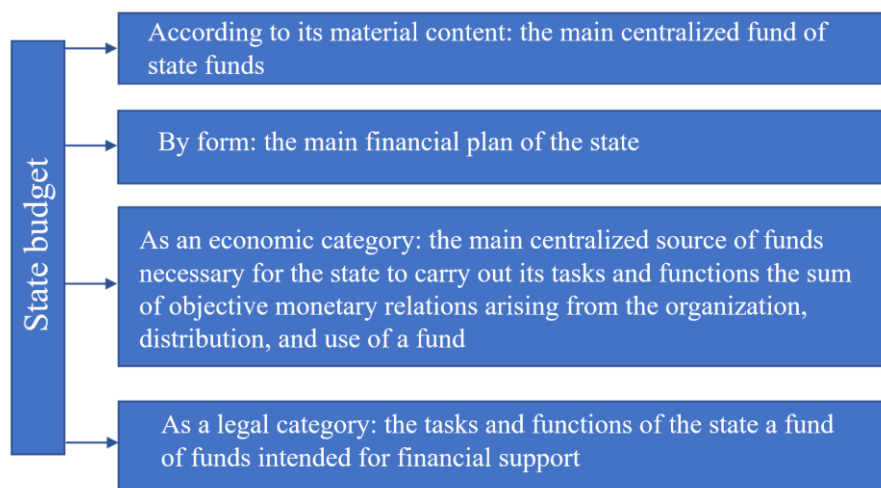
In the context of deepening globalization, a stable national economy is increasingly ensured through financial policy, particularly the budgetary and tax systems. Market mechanisms alone cannot guarantee sustainable economic growth and social stability. Therefore, fiscal policy specifically, tax collection and the efficient allocation of budget resources plays a crucial role in maintaining macroeconomic balance. The state budget finances public expenditures and serves as an instrument for promoting social equity, developing infrastructure, supporting entrepreneurship, and improving living standards [13].

The latest international financial statistics show that between 2020 and 2024, public expenditure around the world has increased at an alarming level compared to GDP thus paving way for various problems like budget deficit and increasing debt. This is particularly problematic in the case of developing countries where resources are scarce and access to outside financing is limited.

These problems are critical, especially for the Republic of Uzbekistan. And, in turn, the country has made broad economic reforms in the past few years, with liberalization of the tax system and diversification of budget revenues structure [14]. But demographic changes, increasing unemployment, rising social demands and the need for major infrastructure investments could add pressure on fiscal sustainability.

Gradual tax policy reform, including reductions in tax rates and procedures, has significantly enhanced economic activity. For example, lowering the corporate income tax rate improved the investment climate for businesses and encouraged them to expand their production capacity. Reducing the unified social payment decreased labor costs for employers and created favorable conditions for generating additional employment opportunities. Meanwhile, introducing digital technologies into tax administration has increased financial reporting transparency and reduced the size of the informal economy [15].

The indicators of macroeconomic stability also show how effective has been the implementation of fiscal policy. Maintaining a relative level of fiscal prudence can be reflected in the budget deficit remaining relatively low to GDP. Moreover, directing a large share of public expenditure to productive sectors and social programs have stimulated domestic demand and supported growth. Especially to the latter two, this approach raises living standards, reinforces social stability, and guarantees the ground for sustained economic growth. Public spending on education and healthcare has increased as a proportion of total expenditures, indicating a strategic focus on developing human capital. Although the relative share of social protection spending has declined slightly, its absolute value has doubled, reflecting continued support for vulnerable groups.

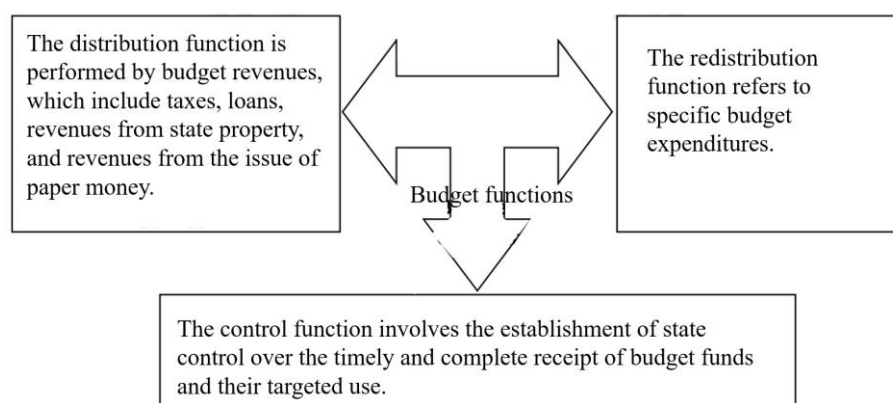


**Figure 1.** The Concept and Essence of the State Budget

In terms of expenditure efficiency, the greatest success has been seen in infrastructure development and initiatives that promote economic activity. These areas generate direct economic effects, including job creation and regional development. Conversely, lower efficiency levels have been identified in public administration and certain social protection programs, suggesting the need for improvements in resource management and institutional effectiveness.

Reforms of the tax system show attempts to stabilize growth. However, slowly increasing share of direct taxes and reducing contribution of indirect taxes indicated an effort towards enhancing equity and economic efficiency in the tax system. Empowering domestic economic potential, broadening the tax base and leveeing fiscal load among social groups is supported by increasing share of corporate and personal income taxes as well as decreasing value-added taxes and customs duties. This change brings qualitative advances in the growth of economy.

Efficiency studies of budgetary spending show the extent to which allocated money correlates with real economy output. Investments in infrastructure projects have stimulated economic activity, created jobs and boosted regional development, and its results are impressive (3). Although spending in healthcare and education has been somewhat effective, further reforms could enhance human capital formation in these sectors. In certain social sectors, however, the impact of allocated resources remains comparatively limited, highlighting the need to refine allocation and monitoring mechanisms.



**Figure 2.** Functions of the State Budget

The steady growth of both GDP and budget revenues indicates progress in achieving economic stability. Improvements in tax collection mechanisms and the efficient distribution of public funds confirm the positive trajectory of fiscal policy implementation. However, additional measures are needed to enhance the efficiency of social spending, reduce the budget deficit, and improve fiscal risk forecasting.

#### 4. Conclusion

The study confirms that state budget sustainability represents a multidimensional economic category that extends beyond the simple balance between revenues and expenditures. It reflects the government's long-term ability to fulfill its financial obligations, maintain macroeconomic stability, and support sustainable economic growth without generating excessive public debt. In modern conditions of global economic uncertainty and increasing financial interdependence, fiscal sustainability has become a decisive factor in ensuring national economic resilience.

The analysis shows effective fiscal policy as an instrument for macroeconomic balance. Rational tax reforms, the diversification of budget revenues and a gradual transition to an increased share of the direct taxation contribute to strengthening fairness and stability in the fiscal system. Simultaneously, modernized tax administration and the introduction of digital technologies improve transparency, expand the tax base, and contract informal economy volumes, further strengthening revenue sustainability.

The results also suggest that public expenditure structure and efficiency are major factors for fiscal sustainability. In summary, that investments in infrastructure, education and healthcare yield economic and social benefits by stimulating internal demand, generating jobs and promoting human capital accumulation. But the relatively low efficiency found in some administrative and social protection spending emphasizes the need to better match budget allocations, monitoring systems and institutional effectiveness.

ensuring sustainability in state budgets is not only a numerical affair involving analytical ratios of debt and deficit, but also encompasses qualitative variables like institutions capacity and transparency as well as productive nature of expenditure. Under the contemporary economic challenges that we face, solidifying fiscal discipline, increasing tax system effectiveness, and advancing the strategic allocation of public resources will be an indispensable prerequisite to achieve long-term economic stability and sustainable development.

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