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# THE ROLE OF FINANCIAL POLICY IN ENSURING MACROECONOMIC STABILITY

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## Abstract

Macroeconomics is a social science. Therefore, the timing of economic events cannot be precisely determined; it is possible to observe the behavior of macroeconomic agents and make approximate forecasts accordingly. In the process of analysis, economic models make the study of the economy much easier and explain the reasons for the main economic changes. In this article, research is conducted on the role of financial policy in ensuring macroeconomic stability and ways to improve it.

**Keywords:** Macroeconomics, fiscal policy, monetary policy, stability, financial policy, economic growthsh.

## Introduction

Macroeconomic policy allows to regulate economic processes, which allows to ensure economic stability. There are three types of such policies, each of which has its own goals and objectives: fiscal, monetary and open economy policies.

In order to further increase the importance of macroeconomic policy in economic processes and further increase the importance of financial policy in it, the decision of the Cabinet of Ministers of the Republic of Uzbekistan "On the approval of the strategy for improving the state finance management system of the republic of uzbekistan in 2020-2024" [1] should be emphasized separately. This decision consists of the following 4 chapters and includes measures to further increase the importance of financial policy in economic growth.

- General rules
- Goals and objectives of the strategy
- Priority directions of the strategy
- Expected results

Fiscal macroeconomic policy can also be called budget or fiscal. It works on the main elements of the state treasury, so it is interrelated with the budget, taxes, expenditures and state revenues. If we take into account the market conditions, it is safe to say that this type of policy is the basis of all economic policies. At the same time, it is divided into subtypes - it includes tax, budget and income and expenditure policies.

The most important task of fiscal policy is to search for sources and methods of formation of state funds. Moreover, it is focused not only on funds, but also on funds that contribute to the achievement of the goals of the economy.

Fiscal policy allows government agencies to manage and regulate global processes based on the country's economy [2]. This policy envisages financing the public sector and keeping

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money circulation at a stable level. Thanks to this policy, it is also possible to make the most rational use of production, scientific-technical and economic potential.

How can the government profitably use the funding stream? With the help of his tools, he can influence supply and demand, which allows to act in the economic situation and solve the problems of the crisis.

Monetary policy regulates the money supply and circulation in the country. This is achieved through central bank or independent action. It is important to understand that this policy affects both money and prices. It is designed to achieve several goals. First, it stabilizes, increases the stability and efficiency of the economic system. Secondly, it provides employment for the population. Thirdly, it helps to overcome the crisis. Fourth, it ensures economic growth. If we consider the difference between this policy and fiscal policy, it can be said that the specialization of monetary policy is narrower because it is limited to the stabilization of money circulation.

The objectives of such a policy are to stabilize prices, suppress inflation, regulate the money supply, and supply and demand for money.

The economic policy of the state is based on other types of policies. For example, there is structural investment. Its purpose is to form the structure of industry and regional production. It also affects the production rates of various industrial products. This policy is produced in two versions: industrial and agricultural. There is also social policy, the purpose of which is to provide social protection to people. He oversees the provision of decent living conditions and the provision of basic needs. Environmental protection is also included in this policy. It stands alongside the employment policy and the regulation of the income of the population. Vocational training institutions included in the employment system and jobs in foreign labor migration are not at the level of demand. The Ministry of Poverty Alleviation and Employment was given additional tasks to eliminate such shortcomings and provide vocational training to the population and create jobs.

## **Literature Review**

Since the name of the subject is connected with the instruments of macroeconomic stability and financial policy, we will dwell on the concepts of macroeconomic stability and financial policy based on the information given in the scientific and legal literature. There are various theories expressed by foreign economists in the world economic literature about the effective use of financial policy instruments to ensure macroeconomic stability, and they have merged into different streams that differ from each other according to their content.

Issues related to the emergence of these doctrines, their main rules and conflicts in their content have been studied by many well-known and modern economists and specialists of the world. Among modern foreign scientists SR Moiseev [3], E. Dolan, R. Dornbush, K. McConnell, K. Kemp bell, L. Harris, G. Menkiw, F. Mishkin, L. Abalkin, O. Lavrushin, V. Gerayenko, V. This issue is reflected in the research of Usoskin, B.Iryshev and other scientists. One of the Uzbek researchers, Samandarov Zukhriddin Raup son conducted research in this field [4]. Financial policy is an important component of the state's general economic policy; It includes all the state activities carried out in this regard to ensure state activities, to organize the financial system for the purposes of increasing the welfare of the

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country, to mobilize and use financial resources, to fulfill the domestic and foreign policy tasks facing the state [5].

## **Results and Discussion**

Fiscal policy has several main objectives, which can be divided into macroeconomic and microeconomic. Macroeconomic objectives include promoting economic growth and development, reducing unemployment, controlling inflation, and maintaining a stable macroeconomic environment. Microeconomic goals can be said to support certain sectors of the economy, reduce income distribution and inequality, and ensure social protection and well-being of the population. So, one of the main means of regulating the economy is fiscal policy. Fiscal policy is a branch of economy that is directly related to the cooperation of state bodies and all other economic entities, and is carried out by the state in the field of taxes, budget and public spending to achieve certain economic goals. Such mutual cooperation is achieved through a system of government orders, taxation and transfer payments.

Implementation of the decision of the President of the Republic of Uzbekistan "On measures to implement the strategy "Uzbekistan-2030"[6] in 2023 in a timely manner" dated September 11, 2023 PQ-300 "providing, as well as paying special attention to the issues of improving the management and regulatory mechanisms of the state's fiscal obligations that may arise from public-private partnership projects The decision of the Cabinet of Ministers of the Republic of Uzbekistan "On the approval of the regulation on the procedure for managing the fiscal obligations of the state that may arise from public-private partnership projects" [7] was also discussed separately.

It is known that any Government conducts its own fiscal policy. To achieve these goals, fiscal policy uses several instruments, including government spending, taxes, and borrowing. The effectiveness of the fiscal policy depends on several factors, such as the correct definition of the intended goals, the correct selection of fiscal policy instruments, the proportionality of expenditures and taxes, as well as political stability and effective management. In addition, the impact of fiscal policy may be limited by other economic factors, such as externalities, world commodity prices, or international financial conditions. Since the implementation of public expenditure means the use of public budget funds, and taxes are the main source of filling the budget, tax-budgetary policy is the manipulation of the public budget. Taxation plays an important role in the financial regulation of macroeconomics.

On January 16, under the chairmanship of President Shavkat Mirziyoyev, a video selector meeting was held in connection with the discussion of priorities for "Ensuring macroeconomic stability and economic development" [8]. In 2023, the economic growth in our country was 6 percent. In particular, industry grew by 6.8 percent, service by 6.8 percent, construction by 6.4 percent, and agriculture by 4.1 percent. This year, it is aimed to increase the volume of the gross domestic product by at least 6% and reach 100 billion dollars. Tasks and necessary measures in this regard were discussed at the meeting.

The head of our state emphasized that for this, first of all, the employees of the economic complex, who are the biggest reformers, should work very hard. For example, with the growth of the total industry, the value added in production does not exceed 40 percent. These are mainly due to import dependence, high energy consumption and excessive costs.

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Therefore, it was emphasized that "2024 is the year of cost reduction and efficiency"[9] for the leaders of the economic complex and all state enterprises. How much cost can be reduced by optimizing purchases and logistics, saving energy resources and digitalization was shown in the cross-section of sectors.

This year, tasks were set to increase the added value in large industries by 45 percent, reduce the cost by 15 percent, and ensure a 7 percent growth in the total industry.

Last year, 8 trillion soums were not provided to the budget in terms of dividends and tax payments by some state enterprises. In Syrdarya and Jizzakh regions, tax revenues increased by 20 percent, while in Khorezm, Bukhara, and Kashkadarya, this indicator did not even reach 7 percent. Such cases indicate the slowness of the work of heads and deputies of the regional tax department, local tax collectors. Therefore, this system was revised and new directions were defined.

The first direction - the task of working with 40,000 budget organizations will be transferred from the districts to the Inspectorate of Interdistrict Budget Organizations, which will be newly established in the Tax Committee. This inspection will be fully digitized and integrated into the electronic system of the Treasury.

The second direction - the committee organizes an inter-district inspection on tax debt collection. He will be given the same powers as the Bureau of Enforcement. Due to this, it will be possible to transfer 200 additional district tax collectors to local work.

The third direction will be a separate system working with 80 largest enterprises and 35 commercial banks, which will provide 50% of the republic's tax revenue. For this purpose, a new structure was established within the Inspectorate for Large Taxpayers, which works directly with the Ministry of Economy and Finance.

The Ministry of Economy and Finance was assigned the tasks of timely provision of tax revenue and prevention of unreasonable increase in the cost of enterprises.

Turning to the customs sector, it was noted that last year about 60 trillion soums of benefits were applied to imported goods, but there was no sufficient analysis of their effectiveness. Therefore, it was instructed to examine the goods entered with preferential treatment one by one.

Another big reserve for budget revenue is privatization and sale of land by auction. However, 484 state assets included in the privatization program are not available for sale.

For example, dozens of grain enterprises put up for sale remain unsold. Because there are flaws in their assessment.

The Cabinet of Ministers was instructed to prepare a new privatization program, which will provide 20 trillion soums of income this year, eliminating the arrears in this regard.

Last year, 1 trillion soums were received from land auctions, and 12,000 new projects were added. In order to expand such opportunities, a task was set to develop master plans of 70 districts by the end of the year, and of all districts next year.

The head of our state said that the hidden economy is an obstacle to fair competition and the activities of honest entrepreneurs and indicated additional measures.

Currently, 14 offices are engaged in the fight against the underground economy and economic crime. In order to coordinate and strengthen these cases, the powers of the Department for Combating Economic Crimes under the General Prosecutor's Office will be

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expanded. This department will be provided with the most modern tools and experienced specialists, and a scientific-analytical and training center will be opened under it. At the same time, in the General Prosecutor's Office, a separate department for the secret economy and its regional departments will be established.

Last year, it was revealed that 1.2 trillion soums of illegal spending and 200 billion soums of deficit and thefts were allowed from the budget. Funds allocated to programs in the fields of health and agriculture were not fully used. Also, cases such as writing a fee for an employee who does not actually work, or receiving an unjustified loan or bonus money have increased. In this regard, it was shown that the activity of the State Financial Control Inspection under the Ministry of Economy and Finance is unsatisfactory. Therefore, it was determined that this inspection will be transferred to the Department for Combating Economic Crimes under the General Prosecutor's Office.

This year, the task of controlling the correct spending of the 313 trillion soums provided for in the budget was set.

The issue of reducing inflation is also relevant. As a result of the measures taken, inflation did not exceed 9 percent last year.

It was emphasized that product inflation can be curbed by increasing food supply, and instructions were given to the Minister of Agriculture and governors in this regard.

In general, measures to reduce inflation from 9 percent this year were discussed.

The issues of ensuring the stability of the banking system and channeling loans to the economy were also touched upon. The task of developing a program to lower credit rates by at least 2-3 percent based on market mechanisms was set.

At the meeting, special attention was paid to the issue of ensuring the employment of the population. In this regard, the importance of effective implementation of the recently adopted program was emphasized.

Ensuring macroeconomic stability and its practical result can be seen mainly in GDP. It is no secret that GDP indicators in our country have shown growth in recent years. Therefore, proper analysis of GDP is of great importance in the correct formulation of the financial policy and in the implementation of the work to be done in the future.

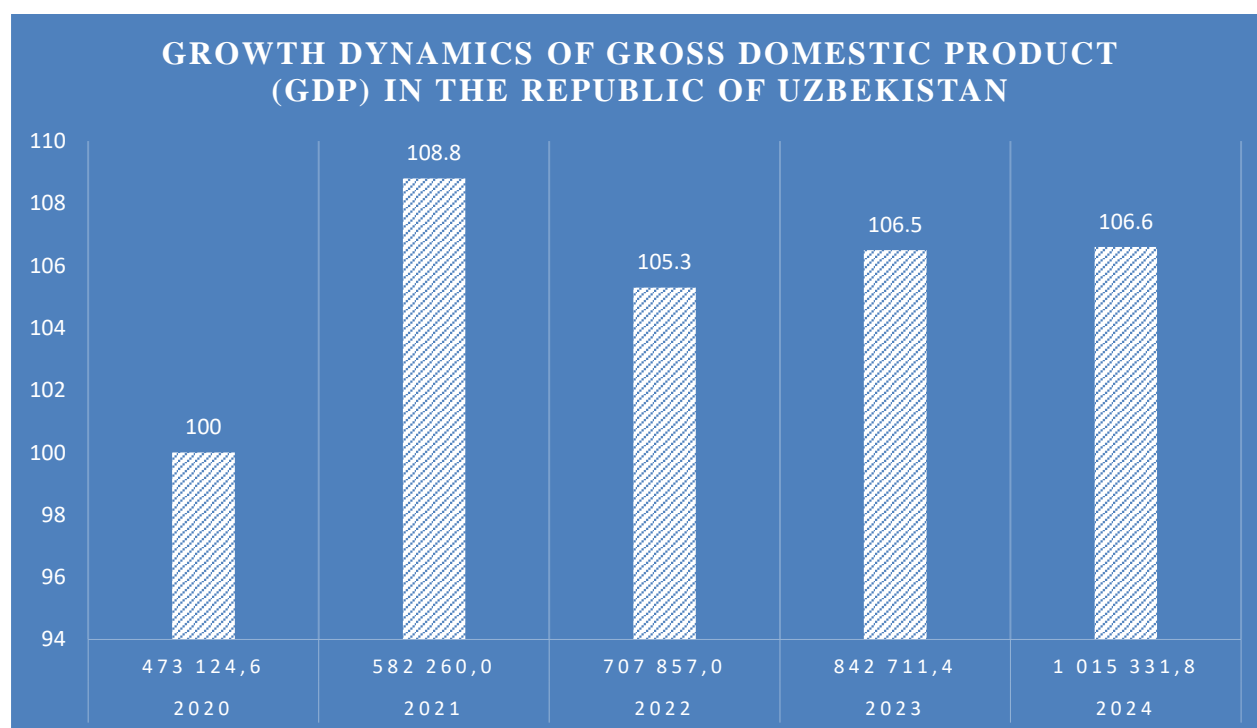
According to the results of January-September 2024, the GDP of the Republic of Uzbekistan amounted to 1,015,331.8 billion soums at current prices and increased by 6.6% compared to January-September 2023. The GDP deflator index was 113.1% compared to the prices in January-September 2023.

Gross domestic product (GDP) is one of the main indicators of the National Accounts System (NSA), which represents the final result of the production activity of economic resident units and is measured by the value of goods and services produced by these units for final use.

**Table 1. Growth dynamics of gross domestic product (GDP) in the Republic of Uzbekistan [10]**

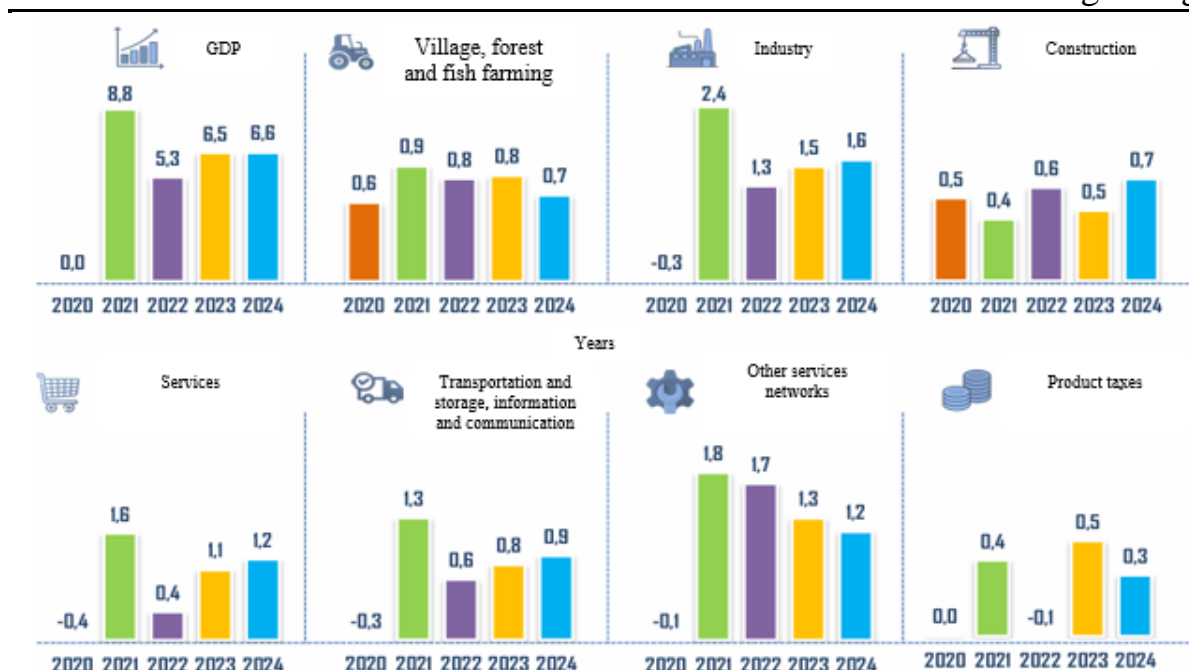
Years	GDP volume, billion soums	GDP growth rates, in % compared to the corresponding period of the previous year
2020	473 124.6	100
2021	582 260.0	108.8
2022	707 857.0	105.3
2023	842 711.4	106.5
2024	1 015 331.8	106.6

The average official exchange rate of the US dollar against the soum in January-September 2024 is 12,594.9 soums, in January-September 2023 it is 11,556.2 soums, in January-September 2022 it is 11,009.3 soums m, 10,565.5 soums in January-September 2021, In January-September 2020, it was equal to 9,940.9 soums. In the current period, the volume of nominal GDP calculated at the average exchange rate was 80,614.8 million US dollars.



**Figure 1. Infographic of the growth dynamics of the gross domestic product (GDP) in the Republic of Uzbekistan [10].**

In January-September 2024, the agriculture, forestry and fishing sectors contributed 0.7 percentage points to the GDP growth, the industrial sector - 1.6 percentage points, the construction sector - 0.7 percentage points and services. display network - contributed a positive 3.3 fp. GDP increased by 0.3 fp due to an increase in net taxes on products.



**Figure 2. Dynamics of the contribution of industries to GDP growth (compared to the corresponding period of the previous year) [10]**

The volume of gross added value created in all sectors of the economy made up 95.4% of the total volume of GDP and grew by 6.6% (the impact on the absolute growth of GDP was 6.3 percentage points). The share of net taxes on products in GDP was 4.6% and increased by 6.6% compared to January-September 2023 (impact on absolute GDP growth – 0.3 fp). According to the results of January-September 2024, minor changes were observed in the structure of GDP. The share of the service sector in GDP (GDP) increased from 46.5% to 47.2%, and the share of industry increased from 24.7% to 26.2%. At the same time, the share of agriculture, forestry and fisheries decreased from 21.2% to 19.4%, and the share of the construction sector decreased from 7.6% to 7.2%.

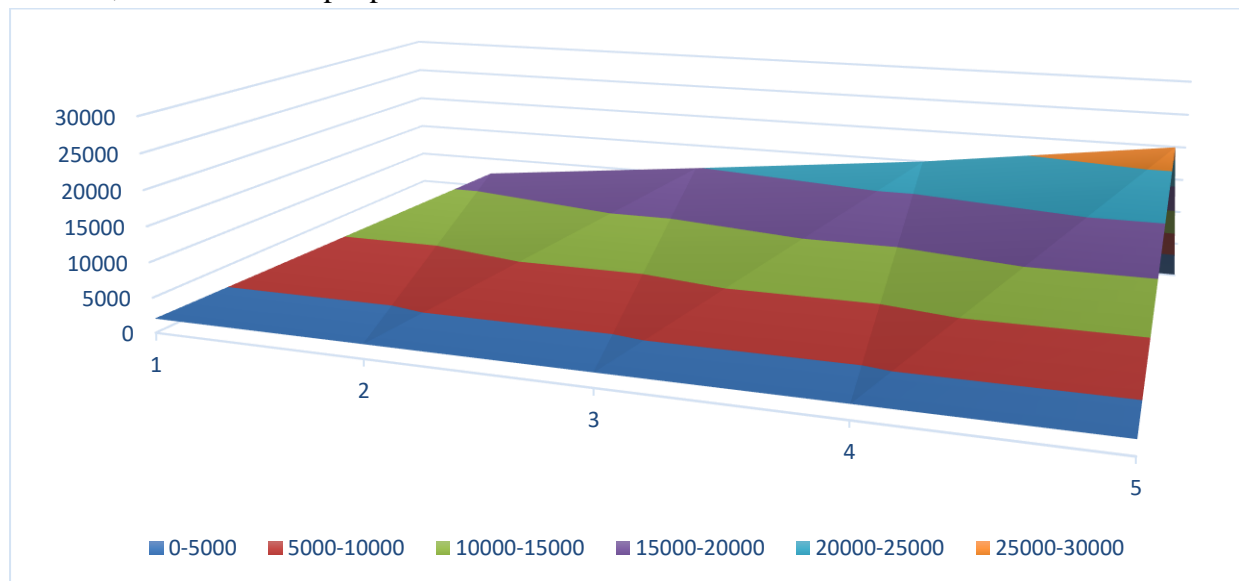
**Table 2. Share of GDP per capita (January-September, at current prices, thousand soums) [10]**

Years	A thousand soums	Growth (decrease) rates of GDP per capita in %
2020	13,856.7	98.1
2021	16,722.4	106.7
2022	19,913.7	103.1
2023	23 207.3	104.3
2024	27 384.0	104.4

GDP per capita is determined by dividing the volume of GDP at current prices by the average population of the country (territory) in a certain period.

The average number of permanent residents of the Republic of Uzbekistan in January-September 2020 is 34,144.2 thousand people, in January-September 2021 it is 34,819.1 thousand people, in January-September 2022 it is 35,546.2 thousand people, in

January-September 2023, 36,312.4 thousand people and in 2024 in January-September, there were 37,077.6 thousand people.



**Figure 2. Infographic of share of GDP per capita, (January-September, at current prices, thousand soums) [10]**

In January-September 2024, the GDP per capita was 27,384.0 thousand soums (or equivalent to 2,174.2 US dollars) at current prices. As can be seen from the above diagram, the real growth of GDP per capita in January-September 2024 was 4.4% compared to January-September 2023, and 19.7% compared to January-September 2020.

In January-September 2024, the total volume of products (services) of agriculture, forestry and fisheries amounted to 323,878.0 billion soums. 97.5% of the total volume of products (services) of agriculture, forestry and fisheries - farming and animal husbandry, hunting and services provided in these areas, 1.9% - forestry, 0.6% was accounted for by the fishing industry. According to the results of January-September 2024, the positive growth rates in this sector were agriculture and animal husbandry, hunting and services provided in these areas by 3.1%, forestry - 2.9%, and fisheries - due to the growth of 1.3%.

According to the results of January-September 2024, an increase of 7.0% was observed in the added value of the industrial sector. The positive dynamics in this sector are mainly the value added of the mining industry and open-pit mining industry by 1.3%, the production (processing) industry by 8.2%, electricity, gas, steam provided by positive growth of supply and air conditioning network by 4.5% and water supply, sewage system, waste collection and disposal network by 5.9%.

In January-September 2024, in the structure of the informal and hidden economy by sector, agriculture, forestry and fishing accounted for 67.7%, the service sector accounted for 39.0%, construction accounted for 38.8%, industry 9.7%.

## Conclusions and Suggestions

Financial policy should be developed and implemented taking into account real financial opportunities. Costs can increase only when financial resources increase. This means, first of

all, the financing of production. All measures of economic and financial policy should be focused on creating favorable conditions for the development of business activities, on the one hand, to give the population the opportunity to increase their income. In accordance with the radical change of the financial policy, the financial mechanism should also be rebuilt.

The main goal of the restructuring of the financial mechanism is to strengthen its influence on the efficiency of social production in the context of market relations, to ensure the improvement of the efficiency of the use of financial resources. In order to improve the final results of the work of enterprises and organizations based on the reconstruction of the financial mechanism, it is necessary to strengthen economic initiative and responsibility with all measures.

**Based on the above, the following is suggested:**

1. Based on the fact that the effectiveness of the financial policy depends on various factors, a thorough analysis and management system should be implemented by the Government;
2. It is necessary to further increase the scope of using financial incentive functions of the state in solving social problems;
3. Consideration of the issue of giving powers such as the independent introduction of some local financial systems for the purpose of economic development of the regions (the experience of the US states).
4. Modernization of the financial system by bringing it closer to the models of systems in developed countries.

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