



THE ROLE OF FISCAL POLICY IN PROMOTING ECONOMIC GROWTH

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Annotation. This article analyzes the role and importance of fiscal policy in promoting economic growth. The study focuses on how government expenditures and tax policy can influence aggregate demand, investment, and employment, as well as ensure long-term fiscal stability.

Keywords: fiscal policy, fiscal function, taxation, government expenditure, economic growth, investment, aggregate demand, fiscal stability.

Introduction.

Fiscal policy is a mechanism through which the state influences economic processes via taxation and budget expenditures. It plays an essential role in stabilizing the economy, expanding production, increasing employment, and ensuring social protection of the population. The fiscal function of taxes is the main component of fiscal policy, serving to form the state’s financial resources. The term “fiscal” derives from the Latin word *fiscus* meaning “treasury.” Through this function, collected taxes form the state budget and create a material basis for the development of various sectors of the economy. As production processes expand, the importance of the fiscal function increases.

In economic theory and practice, two main types of fiscal policy are distinguished:



1. Discretionary fiscal policy – directly implemented by the government.

2. Non-discretionary fiscal policy – automatically stabilizing mechanisms.

Non-discretionary fiscal policy refers to the built-in stabilizing functions of the tax system, allowing it to regulate economic activity without direct government intervention.

Many economists, including representatives of the Keynesian school, consider fiscal policy to be one of the most important tools for ensuring economic growth. According to them, increasing government spending can boost aggregate demand and improve employment levels.

Modern economic perspectives emphasize that the effectiveness of fiscal policy depends on its size, structure, implementation timing, and the stage of the economic cycle. In Uzbekistan, in recent years, state expenditures directed toward infrastructure, education, and healthcare have been observed to support economic growth.

Fiscal policy promotes economic growth through two main channels:

1. Through government expenditures.

An increase in government spending develops infrastructure, creates new jobs, and improves production efficiency. In particular, investments in the transport and energy sectors reduce production costs and strengthen the competitiveness of the national economy. Furthermore, funds collected through the fiscal function are accumulated in the budget and directed toward priority sectors — production, education, and healthcare.

2. Through tax policy.



Reducing tax rates or introducing tax incentives encourages entrepreneurship, boosts investment, and stimulates innovation. As a result, economic activity increases and the level of employment rises.

The successful implementation of fiscal policy depends on financial stability, maintaining control over public debt, and ensuring budgetary discipline. If fiscal measures are not aligned with economic cycle phases, they may fail to achieve the desired outcomes. In the case of Uzbekistan, enhancing the effectiveness of fiscal policy requires ensuring the targeted and rational use of budget funds, simplifying the tax system, and strengthening fiscal discipline.

Conclusion.

Fiscal policy is a crucial instrument for promoting economic growth, forming the state's financial resources, supporting economic activity, and ensuring social stability. Proper implementation of the fiscal function ensures that collected taxes are directed toward strategic sectors of the economy, creating a sustainable source of economic growth.

To increase the efficiency and impact of fiscal policy, it is essential to:

- ✓ simplify the tax system to strengthen the fiscal function;
- ✓ allocate budget funds to projects with high economic efficiency;
- ✓ maintain public debt within safe and sustainable limits;
- ✓ align fiscal measures with the stages of the economic cycle;
- ✓ strengthen transparency and accountability in the use of public funds.

A prudent and systematic fiscal policy contributes to achieving stable, inclusive, and long-term economic growth in the country, supporting not only macroeconomic stability but also social welfare and sustainable development.



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