

**TAX REVENUE MOBILIZATION AND STATE BUDGET
SUSTAINABILITY: EMPIRICAL EVIDENCE
FROM UZBEKISTAN (2020–2024)**

Mardonov Akromjon Nusrat oqli

Assistant teacher of Tashkent State University of Economics

G-mail: akrom.mardonov@inbox.ru

ORCID: 0009-0001-1459-9080

Abstract. The sustainability of public finances largely depends on the effectiveness of tax revenue mobilization and fiscal management. In developing economies, taxation represents the primary source of government revenue and serves as a fundamental instrument for financing public expenditures, maintaining macroeconomic stability, and promoting economic development. This study examines the impact of tax revenues on state budget sustainability in Uzbekistan during the period 2020–2024. The research employs a mixed-method approach combining statistical analysis, comparative analysis, and institutional assessment. The findings reveal that tax revenues consistently accounted for more than 80 percent of total state budget revenues, indicating a high degree of fiscal dependence on taxation. The analysis further demonstrates that recent tax reforms, improvements in tax administration, and the digitalization of tax processes have contributed significantly to revenue growth and fiscal stability. The study concludes that efficient tax administration, expansion of the tax base, and continued modernization of fiscal institutions are essential for ensuring long-term budget sustainability and sustainable economic growth.

Keywords: Tax revenue, state budget, fiscal sustainability, tax administration, public finance, tax reforms, fiscal policy, economic growth, budget stability, Uzbekistan.

Introduction. Taxation constitutes one of the most important mechanisms through which governments generate financial resources necessary for the provision of public goods and services. In modern economies, tax revenues finance education, healthcare, infrastructure, social protection programs, public administration, and national security. Consequently, the effectiveness of a tax system directly influences the capacity of a government to maintain fiscal stability and achieve sustainable economic development.

The relationship between taxation and budget sustainability has become increasingly important in the context of globalization, economic transformation, and digitalization. Governments face growing demands for public expenditure while

simultaneously seeking to preserve fiscal discipline and economic competitiveness. Under such conditions, the ability to mobilize domestic revenues through efficient taxation becomes a critical determinant of fiscal resilience.

Over the past decade, Uzbekistan has implemented comprehensive economic reforms aimed at modernizing public administration and improving the efficiency of fiscal institutions. Tax policy reforms have focused on reducing administrative barriers, simplifying tax procedures, improving compliance mechanisms, and introducing digital technologies into tax administration. These reforms were intended to stimulate entrepreneurial activity, expand the tax base, reduce informal economic activities, and strengthen the sustainability of public finances.

Despite the growing importance of taxation in fiscal policy, empirical studies examining the relationship between tax revenue mobilization and budget sustainability in Uzbekistan remain limited. Existing research primarily focuses on tax policy reforms or general fiscal developments, while insufficient attention has been paid to the contribution of tax revenues to long-term budget stability. This study seeks to address this gap by investigating the dynamics of tax revenues and their role in supporting state budget sustainability between 2020 and 2024.

The main objective of this research is to evaluate the contribution of tax revenues to state budget formation and to assess the effectiveness of recent tax administration reforms in strengthening fiscal sustainability. The study also examines the relationship between tax revenue growth and overall budget performance during the selected period.

Literature Review. The theoretical foundations of taxation were established by Adam Smith, who argued that an effective tax system should be guided by the principles of equity, certainty, convenience, and efficiency. These principles continue to influence contemporary tax policy frameworks and remain relevant in discussions concerning fiscal sustainability.

Keynesian economic theory expanded the understanding of taxation by emphasizing its role as a macroeconomic policy instrument. According to Keynes, taxation can influence aggregate demand, employment, and investment, thereby contributing to economic stabilization. Through fiscal policy adjustments, governments may use taxation to stimulate economic activity during periods of recession or moderate inflationary pressures during economic expansion.

Modern public finance literature emphasizes that taxation serves not only as a revenue-generating mechanism but also as a strategic instrument for economic regulation. Musgrave's theory of public finance identifies resource allocation, income distribution, and economic stabilization as the primary functions of fiscal policy. Tax systems therefore contribute simultaneously to revenue generation and broader socioeconomic objectives.

Recent studies published by the International Monetary Fund, the World Bank, and the Organisation for Economic Co-operation and Development suggest that tax administration efficiency is often more important than high tax rates in achieving sustainable revenue growth. Improvements in compliance management, taxpayer services, digital reporting systems, and risk-based audit mechanisms have been shown to increase revenue collection while minimizing economic distortions.

Empirical evidence from emerging economies demonstrates that broadening the tax base and reducing the size of the informal sector are among the most effective strategies for strengthening fiscal sustainability. Research further indicates that digital transformation in tax administration contributes significantly to transparency, accountability, and revenue mobilization. Consequently, governments increasingly rely on technological innovations to improve tax compliance and enhance budget performance.

Although numerous studies have investigated taxation and fiscal sustainability at the global level, relatively few have focused specifically on Central Asian economies. Therefore, an examination of Uzbekistan's recent fiscal reforms provides valuable insights into the relationship between taxation and budget sustainability in transitional economies.

Materials and Methods. This study adopts a mixed-method research design integrating quantitative and qualitative analytical approaches. Quantitative analysis is employed to evaluate the dynamics of tax revenues and their contribution to state budget revenues, while qualitative analysis facilitates the assessment of institutional reforms and tax administration developments.

The study utilizes secondary data obtained from official publications of the Ministry of Economy and Finance of the Republic of Uzbekistan, the State Tax Committee, the Statistical Agency, the International Monetary Fund, the World Bank, and the OECD. The analysis covers the period from 2020 to 2024, during which significant fiscal and administrative reforms were implemented.

Comparative analysis is used to examine changes in budget revenues and tax revenues over time. Statistical methods are applied to identify trends and evaluate the relationship between tax revenue growth and state budget performance. Institutional analysis is conducted to assess the impact of legislative reforms and digital transformation initiatives on tax administration efficiency.

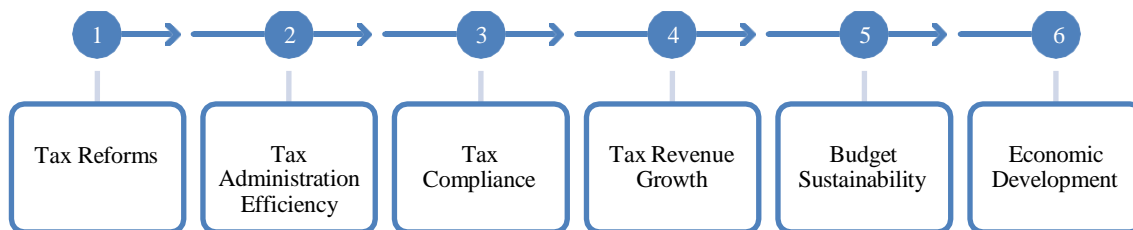
The conceptual framework of the study assumes that improvements in tax administration increase compliance, which subsequently enhances revenue mobilization and contributes to fiscal sustainability. The relationship can be expressed through the following functional model:

$$BS=f(TR,GDP,TAE,FP)$$

where (BS) represents budget sustainability, (TR) denotes tax revenue, (GDP)

indicates gross domestic product, (TAE) refers to tax administration efficiency, and (FP) represents fiscal policy measures.

Figure 1. Conceptual Framework of the Study



The study is guided by the hypothesis that tax revenue growth positively influences budget sustainability and that improvements in tax administration strengthen fiscal performance.

Results. The empirical analysis demonstrates substantial growth in both state budget revenues and tax revenues during the study period. Table 1 presents the dynamics of fiscal indicators between 2020 and 2024.

Table 1. State Budget Revenue and Tax Revenue Dynamics (2020–2024)

Year	State Budget Revenue (trillion UZS)	Tax Revenue (trillion UZS)	Share of Taxes (%)
2020	132.9	108.7	81.8
2021	164.7	134.2	81.5
2022	208.4	170.1	81.6
2023	244.0	198.0	81.1
2024	270.5	220.0	81.3

The data indicate that state budget revenues increased from 132.9 trillion UZS in 2020 to 270.5 trillion UZS in 2024, representing growth of approximately 103.5 percent. During the same period, tax revenues increased from 108.7 trillion UZS to

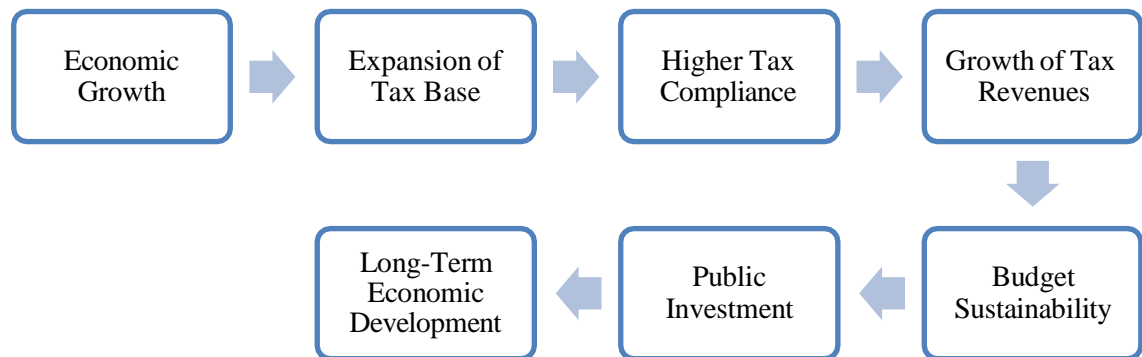
220.0 trillion UZS, reflecting growth of approximately 102.4 percent. The relatively stable share of tax revenues in total budget revenues suggests that taxation remained the dominant source of public finance throughout the period.

The statistical relationship between tax revenues and state budget revenues reveals an exceptionally strong positive correlation. The Pearson correlation coefficient calculated for the study period is approximately 0.999, indicating that increases in tax revenues were closely associated with overall budget growth. This finding confirms the central role of taxation in ensuring fiscal sustainability.

Analysis of the structure of tax revenues indicates that Value Added Tax,

Corporate Income Tax, and Personal Income Tax constitute the largest sources of government revenue. Among these categories, Value Added Tax contributes the largest share to budget revenues due to its broad tax base and relatively stable collection mechanisms.

Figure 2. Fiscal Sustainability Transmission Mechanism



The findings suggest that tax administration reforms introduced during the study period contributed significantly to revenue growth. The implementation of digital tax reporting systems, electronic invoicing, online taxpayer services, and risk-based monitoring mechanisms improved compliance and reduced opportunities for tax evasion.

Discussion. The results provide strong evidence that taxation remains the foundation of fiscal sustainability in Uzbekistan. The consistently high share of tax revenues in total budget revenues demonstrates the effectiveness of domestic revenue mobilization efforts and highlights the strategic importance of taxation within public financial management.

The observed growth in tax revenues cannot be attributed solely to economic expansion. Institutional reforms implemented during recent years appear to have played a significant role in improving collection efficiency and enhancing taxpayer compliance. The introduction of digital technologies has reduced administrative costs, increased transparency, and strengthened monitoring capacities, thereby contributing to higher levels of revenue collection.

These findings are consistent with international research emphasizing the importance of administrative efficiency in revenue mobilization. Rather than relying exclusively on increases in tax rates, governments can achieve sustainable fiscal outcomes through modernization of tax administration and expansion of the formal economy. This approach minimizes adverse effects on investment and economic competitiveness while simultaneously strengthening budgetary performance.

The study also confirms the multidimensional role of taxation in economic development. Beyond its fiscal function, taxation influences investment decisions, consumption patterns, and resource allocation. Well-designed tax policies therefore contribute not only to revenue generation but also to broader development objectives, including economic growth, employment creation, and social welfare enhancement.

Furthermore, the results suggest that maintaining budget sustainability requires a balanced approach combining efficient revenue mobilization with prudent expenditure management. Although tax revenues provide the primary source of budget financing, long-term fiscal stability depends on the government's ability to allocate resources efficiently and maintain macroeconomic discipline.

Conclusion. This study examined the impact of tax revenue mobilization on state budget sustainability in Uzbekistan during the period from 2020 to 2024. The findings demonstrate that tax revenues remain the dominant source of government income, consistently accounting for more than 80 percent of total budget revenues. The substantial growth in tax revenues observed throughout the study period contributed directly to improvements in budget performance and fiscal stability.

The analysis indicates that recent tax reforms, administrative modernization, and digital transformation initiatives have enhanced tax collection efficiency and strengthened revenue mobilization. The strong positive relationship between tax revenues and state budget revenues confirms the critical role of taxation in supporting sustainable public finances.

The study concludes that continued modernization of tax administration, expansion of the tax base, reduction of informal economic activities, and further implementation of digital technologies are essential for maintaining long-term fiscal sustainability. Policymakers should continue pursuing reforms that improve compliance while preserving an environment conducive to investment and economic growth.

In the broader context of public finance, taxation should be viewed not only as a source of revenue but also as a strategic instrument for promoting sustainable development, strengthening institutions, and enhancing national economic resilience.

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