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### CONTACTS

Phone: **+998 50 737 87 88**

Website: <https://ist-journal.uz>

Email: [innovationist2025@gmail.com](mailto:innovationist2025@gmail.com)

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# CONTENTS

THE IMPACT OF FINANCIAL RISKS ON THE DEVELOPMENT OF REGIONAL ECONOMIC GROWTH DRIVERS AND OPPORTUNITIES FOR THEIR MITIGATION .....	17
<b>Turopova Nigora Xolmurod qizi</b>	
UTILIZATION OF INTERNAL RESERVES FOR INCREASING THE EFFICIENCY OF REGIONAL TOURISM (CASE STUDY OF THE REPUBLIC OF KARAKALPAKSTAN) .....	20
<b>Naurizbaev Aliakbar Rustamovich</b>	
MATHEMATICAL MODELS AND ALGORITHMS FOR PROCESSING NOISE DATA .....	23
<b>Jovlieva Dilnoz Mustofa qizi</b>	
ASSESSMENT OF THE IMPACT OF ENVIRONMENTAL RISKS IN BUSINESS ACTIVITIES AND WAYS TO REDUCE THEM.....	28
<b>Abdukhamid Abdumalikovich Bektemirov</b>	
A MULTI-LEVEL SYSTEM OF STATISTICAL INDICATORS FOR REGIONAL TRANSPORT INFRASTRUCTURE ASSESSMENT: METHODOLOGY AND APPROBATION .....	34
<b>Keunimzhaev Mukhamedali Kuanyshaevich</b>	
THE IMPACT OF BANKS ON THE FINANCIAL STABILITY OF THE ECONOMY OF THE REPUBLIC OF UZBEKISTAN .....	39
<b>Usmonov Faridun Firdavsievich, Ishonkulova Feruza Asatovna</b>	
EMPIRICAL EVALUATION OF MACRO- AND MICROECONOMIC FACTORS AFFECTING THE EFFICIENCY OF INVESTMENT ACTIVITY AND THEIR RELATIONSHIP WITH ECONOMIC EFFICIENCY.....	43
<b>Aytmuratova Ulbike Jalgasovna</b>	
MECHANISMS FOR IMPROVING ECONOMIC EFFICIENCY THROUGH OPTIMIZATION OF PRODUCTION RESOURCE POTENTIAL IN UZBEKISTAN .....	47
<b>Sattarov Abdusamat Umirqulovich</b>	
PROMISING DIRECTIONS FOR APPLYING FOREIGN EXPERIENCE IN THE DEVELOPMENT OF GREEN TOURISM IN UZBEKISTAN .....	52
<b>Rakhimova Dilfuza Mirzakasimovna</b>	
PRIORITIES FOR REGULATING FINANCIAL RELATIONS IN PROVIDING HOUSING TO THE POPULATION IN UZBEKISTAN.....	58
<b>Khannarov Komiljon Karimovich</b>	
MPROVING THE ORGANIZATION OF PRODUCTION COST ACCOUNTING IN FULL-SYSTEM FARMS SPECIALIZING IN THE CULTIVATION OF CYPRINID FISH.....	62
<b>Aitimbetov Amirbek Qoishibekovich</b>	
THE TRANSFORMATIONAL ROLE OF SMALL BUSINESS IN UZBEKISTAN'S ECONOMIC DEVELOPMENT: A COMPREHENSIVE ANALYSIS BASED ON 2025 NATIONAL STATISTICS.....	68
<b>Isakjanova Sabokhat Muhamedovna</b>	
AN INTEGRATED METHODOLOGICAL FRAMEWORK FOR ADVANCING GREEN TOURISM MODELS IN THE DIGITAL ECONOMY ERA.....	79
<b>Rasulova Nigora Yusupovna</b>	
FACTORS AFFECTING THE COMPETITIVENESS OF COMPANIES.....	83
<b>Kamoliddinov Ilhomjon Muhammadjonovich, Nosirov Eldor Nosirjon ugli</b>	
THE ROLE OF INDUSTRIAL ENTERPRISES IN INCREASING THE EXPORT POTENTIAL OF THE UZBEK ECONOMY.....	88
<b>Musayeva Shoira Azimovna</b>	
DEVELOPMENT OF MARKET FACTORS TO ENSURE THE GROWTH OF THE ECONOMIC POTENTIAL OF THE ENTERPRISE (USING THE EXAMPLE OF THE SAG EXPRESS BRAND STORES) .....	92
<b>Usmonova Dilfuza Ilkhomovna</b>	
THE CONCEPT OF REGIONAL IMAGE AND ITS ECONOMIC CONTENT (THE CASE OF THE KHOREZM REGION).....	99
<b>Dilshod Ibragimovich Ibodullayev</b>	

DEVELOPMENT OF QUALITY MANAGEMENT SYSTEMS IN THE CONTEXT OF DIGITAL TRANSFORMATION .....	106
<b>Shakhnoza Samandarovna Ziyadillayeva</b>	
ADVANCED APPROACHES TO THE ASSESSMENT AND MANAGEMENT OF CURRENT FINANCIAL STABILITY IN JOINT-STOCK COMPANIES USING CFAR (CASH FLOW AT RISK) AND 3 $\Sigma$ STATISTICAL RISK MODELS .....	114
<b>Kurbonov Xayrilla</b>	
DEVELOPMENT OF A PROGRAM FOR ANALYZING MEDICAL LABORATORY RESULTS USING ARTIFICIAL INTELLIGENCE MODELS.....	118
<b>Gofurjonov Muhammadali, Kamolov Shamsiddin</b>	
APPLICATION OF DIGITAL TRANSFORMATION IN IMPROVING MANAGEMENT STRATEGIES OF CONSTRUCTION MATERIALS INDUSTRY ENTERPRISES.....	122
<b>Ubaydullayev Mukhammadjon Abdusamad o'g'li</b>	
IMPROVING MECHANISMS FOR ENHANCING THE RESOURCE POTENTIAL OF ORGANIZATIONS IN THE EDUCATIONAL SERVICES SECTOR.....	125
<b>Ibrohim Meliboyev</b>	
ECONOMETRIC ANALYSIS OF THE RELATIONSHIP BETWEEN SERVICE QUALITY AND ECONOMIC EFFICIENCY.....	130
<b>Khudoyorov Lochinbek Bahromovich</b>	
MONETARY POLICY INSTRUMENTS IMPROVE USAGE PRACTICES .....	135
<b>A.A. Ismailov</b>	
E-COMMERCE ADOPTION IN TRADITIONAL STORES.....	140
<b>Nuserov Bakhtiyor</b>	
ENHANCING FINANCIAL SUSTAINABILITY AND OPERATIONAL EFFICIENCY OF JSC "HUDUDGAZTAMINOT": KEY FACTORS AND DIGITAL TRANSFORMATION STRATEGIES.....	146
<b>Ergashev Muhibbek Aslamovich</b>	
METHODS FOR IMPROVING AUTOMOTIVE FUEL QUALITY INDICATORS THROUGH THE USE OF ADDITIVES.....	151
<b>Xushnayev Obid, Sheraliyev Ulugbek, Astonov Alisher</b>	
MONETARY POLICY INSTRUMENTS.....	156
<b>A.A. Ismailov</b>	
THE ROLE OF STRATEGIC MANAGEMENT IN ENHANCING A COUNTRY'S INTERNATIONAL IMAGE: THE CASE OF SWITZERLAND.....	161
<b>Idirisbaeva Hurliman Amanbay qizi, Kurolov Maksud Obitovich</b>	
VOLUNTEER TOURISM: CURRENT IMPACTS AND FUTURE DIRECTIONS .....	170
<b>Ossama Moustafa Elsetouhy</b>	
COMPUTER GRAPHICS IN MODERN EDUCATION: PRACTICAL CAPABILITIES OF THE FIGMA PLATFORM.....	176
<b>Maxamadov Rustam Xabibullayevich, Djamatov Mustafa Xatamovich</b>	
DEVELOPING THE FINANCIAL SUSTAINABILITY OF HIGHER EDUCATION INSTITUTIONS BASED ON DIGITAL TECHNOLOGIES.....	182
<b>Abdurasulov Sardor Tolqin ugli</b>	
THE IMPORTANCE AND PROSPECTS OF TOURISM DEVELOPMENT .....	187
<b>Ibodova Dilsora Ibodovna, Qosimov Jahongir Ruziboyevich</b>	
STRATEGIES FOR OPTIMIZING THE STRUCTURE OF COMMERCIAL BANK ASSETS AND INCREASING EFFICIENCY IN UZBEKISTAN .....	194
<b>Ibrohimov Davronbek Muhammadi o'g'li</b>	
STRATEGIC DIRECTIONS FOR THE DEVELOPMENT OF EXPORTS OF PRODUCTS BASED ON ARTIFICIAL FIBERS.....	199
<b>Raximov Furqat Jalolovich</b>	
FUNDAMENTALS OF USING MARKETING RESEARCH TO IMPROVE SALES SYSTEM EFFECTIVENESS.....	206
<b>Abduxalilova Laylo Tuxtasinovna</b>	

FASHION MARKETING AS AN INSTRUMENT FOR SHAPING CONSUMER-BASED BRAND VALUE.....	213
<b>Navruz-Zoda Bakhtiyor Negmatovich, Aripova Makhliyo Salakhiddinovna</b>	
ENSURING SUSTAINABLE GROWTH OF THE NATIONAL ECONOMY IN THE CONTEXT OF DIGITAL TRANSFORMATION, IMPROVING INNOVATIVE DEVELOPMENT STRATEGIES, AND ENHANCING THE EFFICIENCY OF IMPLEMENTING DIGITAL ECONOMY PRINCIPLES IN THE FINANCE, BANKING, AND TOURISM SECTORS .....	220
<b>Inatullayeva Intizor Jamshid qizi, Uroqov Uchqun Yunusovich</b>	
SOCIAL AND SECURITY PROBLEMS OF INNOVATIVE TOURISM DEVELOPMENT IN THE REGION.....	223
<b>Q.A. Musakhanov</b>	
DIGITAL ECONOMY AND INNOVATION AS FACTORS OF SOCIAL DEVELOPMENT IN UZBEKISTAN .....	228
<b>Ibragimova Saodat Abdumuminovna, Sadullayeva Sevara Uchqun qizi</b>	
THE SOCIAL INSURANCE SYSTEM OF THE UNITED STATES OF AMERICA .....	232
<b>Javliyev Nuriddin Bektemir o'g'li</b>	
DEVELOPMENT OF EFFECTIVE ORGANIZATIONAL-ECONOMIC MECHANISMS FOR TRANSITION TO THE INNOVATIVE MARKETING CONCEPT IN ENTERPRISES UNDER DIGITAL TRANSFORMATION .....	236
<b>Bobomurodov Qayimjon Homidovich</b>	
FOMO-DRIVEN PURCHASING IN E-COMMERCE FLASH SALES: AN INTEGRATIVE CONCEPTUAL FRAMEWORK .....	241
<b>Muhammadimov Abdukodir Bakhodirjon Ugli, Arciana Damayanti, Javliev Nuriddin Bektemir ugli</b>	
PHYSICO-MECHANICAL PROPERTIES OF COARSE FEEDS .....	250
<b>Yodgorov Jamoliddin Nomozovich, Yadgarov Sirojiddin Nomozovich</b>	
EVOLUTION AND STANDARDIZATION OF SI MEASUREMENT UNITS IN THE INTERNATIONAL SYSTEM .....	255
<b>Maxmudov Dostonbek Soyibjon o'g'li</b>	
PROCEDURE FOR ACCOUNTING OF ESTIMATED LIABILITIES BY BUDGETARY ORGANIZATIONS .....	259
<b>Jabbarova Charos Aminovna</b>	
FEATURES OF AUDIT IN DEVELOPING INVESTMENT LENDING PRACTICES IN COMMERCIAL BANKS.....	263
<b>Jamshid Mirzakhmedov</b>	
ECONOMIC EFFICIENCY OF RENEWABLE ENERGY SOURCES: THE CASE OF SOLAR AND WIND ENERGY .....	271
<b>Hayitov Jamshid Kholboyevich</b>	
ADVANCED FOREIGN EXPERIENCE IN HIGHER EDUCATION FINANCING: THE CASE OF THE UNITED KINGDOM .....	275
<b>Kurbanov Baxodir Negmatullayevich</b>	
THE IMPACT OF DIGITAL DESTINATION IMAGE ON TOURIST SATISFACTION AND REVISIT INTENTION: EVIDENCE FROM UZBEKISTAN .....	279
<b>Shaxnoza Almasovna Ashurova</b>	
METHODS OF THEORETICAL ANALYSIS OF METAL FORMING PROCESSES.....	279
<b>Rakhimov T.O., Norboyev Abror Baxtiyor o'g'li</b>	
THE ROLE OF DEVELOPING THE GREEN DEPOSIT SYSTEM IN BANKS WITHIN STATE FINANCIAL POLICY.....	287
<b>Maxmudov Rahimjon Hamid o'g'li</b>	
MODERN APPROACHES TO MANAGING INNOVATIVE ACTIVITY IN THE DIGITAL ECONOMY.....	293
<b>Saipova Dilnoza Shuxratovna</b>	
FINANCING SMALL BUSINESSES AND MECHANISMS FOR ATTRACTING INVESTMENTS .....	299
<b>Xakimov Akbar Anvarovich</b>	
DIRECTIONS FOR THE APPLICATION OF TAX BENEFITS TO SMALL BUSINESSES .....	304
<b>Ibrohimov Mukhammadjon Abdullajanovich</b>	

COMPARATIVE ANALYSIS OF THE EXPERIENCES OF ITALY, JAPAN, AND UZBEKISTAN IN FISCAL STABILITY AND PUBLIC DEBT MANAGEMENT POLICY..... 308  
**Abdurakhimov Abror Zafarovich, L. M. Tashpulatova**

CONTENTS

# COMPARATIVE ANALYSIS OF THE EXPERIENCES OF ITALY, JAPAN, AND UZBEKISTAN IN FISCAL STABILITY AND PUBLIC DEBT MANAGEMENT POLICY

**Abdurakhimov Abror Zafarovich**

Master Student of the University of World Economy and Diplomacy

E-mail: [abrorabdurahimov15@gmail.com](mailto:abrorabdurahimov15@gmail.com)

ORCID: 0009-0008-6525-6249

**L. M. Tashpulatova**

Supervisor: Associate Professor, Head of the Department of International Economics, University of World Economy and Diplomacy

**Annotatsiya.** Mazkur maqolada Italy, Japan va Uzbekistan misolida fiskal barqarorlik hamda davlat qarzini boshqarish siyosatining nazariy asoslari va amaliy mexanizmlari qiyosiy tahlil qilingan. Tadqiqotda davlat qarzining uzoq muddatli barqarorligi, fiskal va monetar siyosat o'zaro ta'siri hamda institutsional omillarning qarz dinamikasiga ta'siri baholangan. Rivojlangan davlatlar va rivojlanayotgan iqtisodiyot o'rtasidagi tarkibiy farqlar yoritilgan. Tadqiqotda FTPL, Bohn yondashuvi, kointegratsion tahlil, Markov-Switching modellari, BOP tahlili hamda Threshold-SVAR modellari qo'llanilgan. Natijalar fiskal barqarorlik nafaqat qarz hajmiga, balki institutlar sifati, siyosatlar uyg'unligi va qarz tuzilmasiga ham bog'liqligini ko'rsatadi.

**Kalit so'zlar:** fiskal barqarorlik, davlat qarzi, davlat qarzini boshqarish, fiskal siyosat, monetar siyosat, fiskal ustunlik, monetar ustunlik, byudjet taqchilligi, fiskal qoidalar, Italy tajribasi, Japan tajribasi, Uzbekistan tajribasi.

**Аннотация.** В данной статье представлен сравнительный анализ теоретических основ и практических механизмов обеспечения фискальной устойчивости и управления государственным долгом на примере Italy, Japan и Uzbekistan. Исследуются долгосрочная устойчивость государственного долга, взаимодействие фискальной и денежно-кредитной политики, а также роль институциональных факторов в динамике долга. Применены модели FTPL, подход Бона, коинтеграционный анализ, модели Markov-Switching, анализ платежного баланса и Threshold-SVAR. Результаты показывают, что фискальная устойчивость зависит не только от уровня долга, но и от качества институтов, координации политики и структуры долга.

**Ключевые слова:** фискальная устойчивость, государственный долг, управление государственным долгом, фискальная политика, монетарная политика, бюджетный дефицит, фискальные правила, опыт Italy, опыт Japan, опыт Uzbekistan.

**Abstract.** This article provides a comparative analysis of the theoretical foundations and practical mechanisms of fiscal stability and public debt management based on the cases of Italy, Japan, and Uzbekistan. The study evaluates long-term debt sustainability, fiscal-monetary interaction, and the role of institutional factors in debt dynamics. The research employs FTPL, the Bohn Approach, Cointegration Analysis, Markov-Switching Models, BOP Analysis, and Threshold-SVAR models. The findings indicate that fiscal stability depends not only on debt levels but also on institutional quality, policy coordination, and debt structure.

**Keywords:** fiscal stability, public debt, public debt management, fiscal policy, monetary policy, fiscal dominance, monetary dominance, budget deficit, fiscal rules, Italian experience, Japanese experience, Uzbekistan experience.

## INTRODUCTION

Fiscal stability is one of the most important macroeconomic conditions ensuring the long-term sustainable functioning of public finances. It reflects the ability of the state to meet its financial obligations without

increasing inflationary pressures, constraining economic growth, or imposing an excessive tax burden on future generations. Fiscal stability is closely associated not only with fiscal discipline and acceptable debt levels, but also with the institutional quality of fiscal policy, the macroeconomic environment, and the balance between fiscal and monetary policies.

In recent decades, global financial crises, the COVID-19 pandemic, geopolitical tensions, and external economic shocks have led to a sharp increase in government expenditures. As a result, budget deficits have widened and the pace of public debt accumulation has accelerated in many countries. Under these conditions, contradictions between the short-term stabilizing objectives of fiscal policy and the requirements of long-term fiscal sustainability have intensified. Excessive public debt may increase inflationary risks, lead to higher interest rates, and crowd out private sector investment.

Italy and Japan are among the countries with the highest public debt burdens in the world. In Japan, the public debt-to-GDP ratio exceeds 200 percent, and the country has long relied on ultra-loose monetary policy, low interest rates, and domestic financial resources. While this approach has helped maintain financial stability in the short and medium term, it has also intensified long-term risks related to fiscal sustainability and demographic pressures. In Italy, following the COVID-19 crisis, the ratio of public debt to GDP reached 155.8 percent, turning fiscal stability into a systemic challenge not only at the national level but also for the broader European Union area. Low economic growth and limited fiscal adjustment capacity have remained the main risk factors for Italy.

For developing countries, however, high public debt levels are associated with even greater risks. This is due to the limited depth of financial markets, high dependence on external financing, exchange-rate volatility, and institutional weaknesses, all of which significantly constrain fiscal stability. In the case of Uzbekistan, a substantial share of public debt originates from external sources, while a major part of debt obligations is denominated in foreign currency. In addition, balance of payments deficits increase the sensitivity of fiscal policy to external shocks. At the same time, the need to sustain economic growth creates complex policy trade-offs for fiscal authorities.

The main objective of this study is to conduct a comparative analysis of the experiences of advanced and developing economies in ensuring fiscal stability and managing public debt, to identify their institutional differences, to examine the mechanisms of interaction between fiscal and monetary policies, and to develop practical and scientifically grounded conclusions for Uzbekistan. The relevance of this article lies in the fact that its findings may contribute to improving the public debt management strategy and ensuring long-term macroeconomic stability in Uzbekistan.

## LITERATURE REVIEW

International scientific literature provides an important theoretical and empirical foundation for analyzing public debt sustainability, fiscal policy effectiveness, and debt management strategies.

Research on the maturity structure of public debt, particularly the study *The General Equilibrium Effects of Fiscal Policy with Government Debt Maturation*<sup>1</sup>, suggests that the short-term or long-term nature of debt significantly affects the overall macroeconomic impact of fiscal policy. The maturity composition of debt plays a crucial role in shaping interest-rate risk, refinancing risk, and fiscal stability. These findings are especially relevant in the cases of Italy and Japan. While Italy relies more heavily on medium-term bonds, Japan is notable for its extensive use of very long-term borrowing instruments, supported by large-scale purchases of government securities by the Bank of Japan. This case illustrates important differences in the fiscal risk-management strategies of the two countries.

Studies on Italy reveal a complex historical pattern regarding the long-term sustainability of public debt. The article *Deficit Sustainability and Fiscal Theory of the Price Level: The Case of Italy, 1861–2020*<sup>2</sup> concludes that Italian fiscal policy has exhibited long-term Ricardian characteristics, meaning that primary surpluses tend to increase as public debt rises. However, the existence of fiscal-dominance episodes in certain periods indicates that, within the FTPL framework, the price level has at times been influenced by fiscal policy. These findings are further reinforced by the study *A Wavelet Analysis of Italian Fiscal Sustainability*<sup>3</sup>, which shows that fiscal reactions are unstable in the short run but positive and stable in the long run.

The article *COVID-19 Crisis and the Public Debt Issue: The Case of Italy*<sup>4</sup>, which examines the pandemic period, argues that fiscal expansion was necessary in Italy during COVID-19. At the same time, it emphasizes that new risks to debt sustainability emerged. However, the subsequent decline in Italian public debt during

1 <https://www.sciencedirect.com/science/article/abs/pii/S0164070416301045>

2 <https://link.springer.com/article/10.1007/s10663-023-09577-w>

3 <https://link.springer.com/article/10.1186/s40008-019-0151-5>

4 <https://mpira.ub.uni-muenchen.de/103997/>

2021–2024 indicates that some of these risks were partially mitigated.

Among the reviewed literature, institutional problems of fiscal management in Japan are also examined in depth. The article *Why Japan's Fiscal Consolidation Fails?* identifies the structure of public administration, weak fiscal discipline, population aging, high social expenditures, and slow political decision-making as major obstacles to fiscal sustainability. This argument is complemented by the study *Japanese Government Debt and Sustainability of Fiscal Policy*<sup>5</sup>, which scientifically evaluates whether the country's primary surplus response remains close to zero or negative.

In addition to the direct cases of Italy and Japan, the study *Under the Veil of Uncertainty*, based on the experience of Greece, analyzes the relationship between high debt levels and uncertainty, demonstrating that excessive debt increases the risk of macroeconomic instability as a broader phenomenon. Furthermore, the study *Effectiveness of Fiscal Policy Measures in Different Public Debt Regimes*<sup>6</sup> provides empirical evidence that fiscal-policy effectiveness declines and fiscal multipliers weaken under high-debt regimes. This phenomenon is particularly relevant to Japan, where the public debt ratio exceeds 250 percent.

Overall, the reviewed literature comprehensively addresses the issues of fiscal stability in Italy and Japan through various methodological approaches and theoretical frameworks.

## RESEARCH METHODOLOGY

This study applies a combination of economic and macroeconomic analytical methods to assess fiscal stability, public debt sustainability, and the interaction between fiscal and monetary policies in developed and developing economies.

In the case of Italy, cointegration analysis was employed to examine the long-term relationship between public debt and the primary budget balance, thereby helping to determine the sustainability of fiscal policy.

For Japan, Markov-switching models were applied to identify changes in fiscal and monetary policy regimes and to assess their role in supporting fiscal stability under different macroeconomic conditions.

In the case of Uzbekistan, Balance of Payments (BOP) indicators were used to evaluate the sensitivity of public debt to external factors such as trade flows, remittances, and foreign-exchange earnings.

In addition, the Threshold-SVAR (T-SVAR) model was employed to analyze the impact of fiscal policy on economic growth under different levels of public debt, allowing an assessment of fiscal multipliers in low-debt and high-debt regimes.

Overall, this methodological framework provides a concise comparative theoretical and empirical assessment of fiscal stability based on the experiences of Italy, Japan, and Uzbekistan.

## ANALYSIS AND RESULTS

The experience of Japan demonstrates that fiscal policy in the country has long maintained an “active” character, in which government spending and budget deficits have not been strictly constrained by debt levels. The government has systematically implemented large-scale fiscal stimulus measures to support economic activity and mitigate deflationary pressures.

By contrast, monetary policy has largely remained “passive,” with the Bank of Japan providing financial support to fiscal policy through low interest rates and large-scale purchases of government bonds.

Although this fiscal-monetary policy combination helped prevent financial crises and preserve macroeconomic stability in the short term, in the long run it caused public debt dynamics to approach an explosive trajectory.

Demographic aging, a shrinking labor force, and a slowdown in potential economic growth continue to place additional pressure on the fiscal stability of Japan (Table 1).

5 <https://www.sciencedirect.com/science/article/abs/pii/S0889158311000554>

6 [https://www.researchgate.net/publication/383556095\\_Effectiveness\\_of\\_fiscal\\_policy\\_measures\\_in\\_different\\_public\\_debt\\_regimes](https://www.researchgate.net/publication/383556095_Effectiveness_of_fiscal_policy_measures_in_different_public_debt_regimes)

Table 1  
Volume, Composition, and Structure of the Public Debt of Uzbekistan in 2025, by Quarter<sup>7</sup>

№	Bullets	Year 2025					
		Q1		Q2		Q3	
		million dollar	As a Percentage of Total Public Debt	million dollar	As a Percentage of Total Public Debt	million dollar	As a Percentage of Total Public Debt
	<b>PUBLIC DEBT</b>	42 598	100%	43 496	100%	43 969	100%
	As a Percentage of GDP	33,60%		34,20%		32,30%	
I	<b>EXTERNAL DEBT</b>	35 569	83%	36 534	84%	36 721	84%
	Percentage Ratio to GDP	28,00%		28,70%		27,00%	
1.1.	fixed rate	19 755	46%	20 399	47%	20 352	46%
	variable rate	15 674	37%	15 991	37%	16 075	37%
	no interest	140	0%	144	0%	293	1%
1.2.	Denominated in National Currency	1 026	2%	1 047	2%	1 098	2%
	Denominated in Foreign Currency	34 543	81%	35 487	82%	35 623	81%
	Short-term by Original Maturity	0	0%	0	0%	0	0%
1.3.	Long-term Debt with Remaining Maturity of One Year or Less	104	0%	235	1%	332	1%
	Long-term Debt with Remaining Maturity of More Than One Year	35 465	83%	36 300	83%	36 389	83%
II	<b>DOMESTIC DEBT</b>	7 029	17%	6 962	16%	7 249	16%
	Percentage Ratio to GDP	5,50%		5,50%		5,30%	
2.1.	fixed rate	5 665	13%	5 575	13%	5 858	13%
	variable rate	116	0%	93	0%	92	0%
	interest payment	1 248	3%	1 293	3%	1 299	3%
2.2.	expressed in national currency	3 462	8%	4 061	9%	4 388	10%
	denominated in foreign currency	3 567	8%	2 901	7%	2 861	7%

7 Ministry of Economy and Finance of the Republic of Uzbekistan. Public Debt Information, 2025. Available at: <https://gov.uz/en/imv/sections/view/63904> (accessed: 28-04-2026).

2.3.	short-term to the original term	1 056	2%	1 033	2%	1 000	2%
	Long-term in terms of original repayment when the payment is due in a period of one year or less	1 728	4%	1 857	4%	1 964	4%
	Long-term on the original payment period, when the payment is due in a period of more than one year	4 245	10%	4 072	9%	4 285	10%

Table 1 presents the dynamics and structural composition of the public debt of Uzbekistan for Q1–Q3 2025 and reveals significant trends from the perspective of fiscal stability. According to the data, total public debt amounted to USD 42.6 billion in Q1-2025, while by Q3-2025 this figure had increased to USD 43.97 billion. At the same time, the ratio of public debt to GDP declined from 33.6 percent in Q1-2025 to 32.3 percent in Q3-2025. This indicates that, despite the increase in nominal debt, the debt burden remained relatively stable due to economic growth.

External debt occupies a dominant position in the composition of total public debt, accounting for 83–84 percent of overall liabilities throughout all quarters. In Q3-2025, the volume of external debt reached USD 36.72 billion, equivalent to 27 percent of GDP. Such a high share implies that the fiscal stability of Uzbekistan remains significantly dependent on external financial sources. At the same time, fixed-interest-rate obligations prevail within the structure of external debt, representing 46–47 percent of total external liabilities. This reduces short-term interest-rate risk, although it may increase the persistence of interest expenditures in the long run.

An analysis of the currency composition shows that 81–82 percent of external debt is denominated in foreign currency, whereas the share denominated in national currency remains around 2 percent. This situation increases the vulnerability of fiscal stability to exchange-rate fluctuations. In the event of depreciation of the national currency, the cost of servicing public debt may rise sharply and create additional pressure on the state budget.

With regard to maturity structure, the results indicate that the longer the maturity profile of public debt, the weaker the stimulating effect of fiscal expenditures on economic growth. One of the main explanations is that fiscal stimulus may crowd out private sector investment. More than 83 percent of Uzbekistan's external debt is long-term, which may limit the effectiveness of future fiscal maneuvering.

Threshold indicators are also important for fiscal sustainability. While developed economies such as Italy and Japan are able to maintain high levels of public debt over extended periods, for developing countries such as Uzbekistan, exceeding the 60 percent debt-to-GDP threshold may lead to a decline in investor confidence, higher financing costs, and slower economic growth.

Empirical evidence further suggests that under a low-debt regime, the positive effect of fiscal expenditures on economic growth is approximately twice as high as under a high-debt regime. This finding confirms the importance of prudent fiscal policy for developing economies and the need to maintain public debt at sustainable levels.

## CONCLUSIONS AND RECOMMENDATIONS

This study provides important conclusions regarding fiscal stability and public debt management through a comparative analysis of the experiences of Italy, Japan, and Uzbekistan. The results indicate that fiscal stability depends not only on the volume of public debt, but also on the coordination of fiscal and monetary policies, institutional quality, economic growth, and the structure and maturity of debt obligations. Therefore, public debt sustainability is determined by a broader set of macroeconomic and institutional factors.

The experiences of Italy and Japan demonstrate that advanced economies are able to sustain high levels of public debt over long periods when supported by strong fiscal institutions, developed financial markets, and active monetary policy. However, the study also shows that weak economic growth and structural challenges may reduce long-term fiscal stability if necessary reforms are not implemented. In the case of Uzbekistan, fiscal stability is shaped by different conditions, particularly reliance on external debt, foreign-currency liabilities, and vulnerability to external shocks, all of which require a more cautious and nationally tailored fiscal approach.

The comparative analysis confirms that the effectiveness of fiscal policy depends significantly on debt levels. Fiscal expenditures generate a stronger positive impact on economic growth under low-debt conditions, whereas high debt weakens fiscal multipliers and increases risks related to debt sustainability and the crowding-out of private investment. These findings underline the importance of maintaining prudent debt levels and strengthening fiscal resilience.

Based on the results, several policy recommendations may be emphasized, including the development of independent fiscal institutions, more prudent public debt management, the strengthening of flexible fiscal rules, the acceleration of structural reforms, and the improvement of systems for evaluating fiscal policy effectiveness. The implementation of these measures can contribute to stronger fiscal stability and support sustainable long-term economic growth.

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