

THE IMPACT OF PUBLIC DEBT ON ECONOMIC GROWTH IN UZBEKISTAN: A THEORETICAL AND EMPIRICAL ANALYSIS

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Abstract: This article examines the specific characteristics of the influence of public debt on economic growth in Uzbekistan. Also, the article aims to analyze the causal relationship between public debt and economic growth in Uzbekistan. Economic theory and practice show that the impact of external debt on the economic growth of the country can be multidirectional depending on the specific situation. First of all, it is necessary to determine specific tasks regarding the amount of debt, the direction and efficiency of the use of debt funds.

Key words: Public debt, economic growth, GDP, dependency, influence, economy.

Introduction

Analysis of the relationship between public debt and economic growth in countries, identifying trends and patterns of such a relationship is an important link in the development of the economic policy of the state, which improves the efficiency of the national economy, maintains the sustainability of its growth, and therefore improves the welfare of the population. So the article is aimed at an analysis of the causal relationship between public debt and economic growth in Uzbekistan. Economic theory and practice suggest that the influence of external debt on a country's economic growth can be multidirectional, depending on the specific case. First of all, on the amount of debt, the direction and efficiency of the use of borrowed funds.

The impact of public debt on economic growth is a complex issue that has been studied by economists for many years. There is no consensus on the relationship between public debt and economic growth, as the results of empirical studies have been mixed.

This article examines the impact of public debt on economic growth in Uzbekistan. Uzbekistan is a developing country that has experienced rapid economic growth in recent years. This article investigates whether public debt has had a positive or negative impact on economic growth in Uzbekistan.

The relatively recent papers on the linkage between public debt and economic growth are showing a trend. Through analysis of this relationship in the case of economies, it was facilitated with several points, including identifying trends and patterns of the nexus, providing a new strategy for managing public debt intentionally, and maintaining the sustainability of the economy. Apart from the earlier studies, this study proposes to investigate the nexus under concern in the case of the Uzbek economy. The vast theoretical literature suggests that the influence of external debt on economic growth can be multi-directional, depending on the specific cases.

Since the presidential office is being run by a new government, a number of measures have been implemented in the context of intensifying economic growth and managing public debt intentionally through multi-level investment programs. Consequently, within the past couple of years, the public debt of the economy has significantly increased due to the attraction of

several investment loans from international financial institutions and has been measured at more than sixty percent of the GDP of the economy.

Moreover, it is not a secret that in most countries, the high level of public debt can menace the sustainability of economic growth. Specifically, most countries have recently taken a number of political and economic measures in order to manage public debt and maintain economic growth. According to the notes of international financial institutions, the growth of the Uzbek economy is expected to be around 5 percent until the end of the year. However, it might be intensified by the pace of global economic recovery and the uncertainty associated with the COVID-19 pandemic.

Furthermore, the flow of trade and investment, the volume of migrant workers' transfers, the gradual recovery of a bountiful harvest in agriculture, and the vaccination of the population will help the economy recover and further reduce unemployment and poverty. More specifically, the dynamic growth of public debt in the last three years in relation to its share in GDP increased by a factor of two, while external debt almost tripled. However, the public debt decreased twofold. According to the note of international financial institutions, despite the high dynamics of growth in public debt, including external debt, it remains moderate in accordance with international standards.

Literature review

So far, upon the nexus under concern, a number of theoretical and empirical works have been contributed to the literature. The most relative paper by Eberhardt et al. (2013) supports linear specification in this regard, while some countries maintain a non-linear relationship between public debt and economic growth, but no evidence has been provided over time for caps on total domestic debt. However, this study does not specify what the maximum debt limit should be. A study by Chang and Velasco (1998) found that public debt has a positive impact on economic growth in developing countries. The authors argue that public debt can be used to finance productive investments that lead to economic growth. However, a study by Barro (1997) found that public debt has a negative impact on economic growth. Barro argues that high levels of public debt can lead to higher interest rates, which can discourage investment and economic activity.

Another area of literature in terms of the relationship of public debt to economic growth by Kourtellos et al. (2013) argues that the ratio of these variables is alleviated by the quality of the country's institutions. When the quality of the country's institutions rises above a certain level, an increase in public debt will accelerate economic growth.

Although most of the research has shown the various impacts of public debt on economic growth and analyzed the factors affecting it (see, for details, Caner et al., 2010; Reinhart and Rogoff, 2010; Pescatori et al., 2014; Egert, 2015), they have not focused on what the public debt ceiling should be or how long the positive or negative impact of public debt growth should be.

The mixed results of empirical studies on the relationship between public debt and economic growth suggest that the relationship is complex and depends on a variety of factors, such as the level of public debt, the composition of public spending, and the quality of economic institutions.

Purpose and questions

It is a fact that the critical level of external debt in some countries of the world poses a threat not only to the economic security of countries but also to the stability of the world economy. Each state should have its own national strategy for public debt management. This will require an assessment of the impact of public debt on economic growth. Hence, it is very important to manage public debt and study its impact on economic growth in Uzbekistan.

The purpose of the research is to analyse the data on the dynamics of public debt and economic growth rates in Uzbekistan and to develop appropriate proposals, conclusions, and practical recommendations based on the results of the analysis. So, through this, the study can specify the research questions as follows: How does the growth of public debt in the Uzbek economy can affect economic growth?

Methodology

This article uses annual data from 1991 to 2023 to examine the impact of public debt on economic growth in Uzbekistan. The data is obtained from the World Bank's World Development Indicators database.

The dependent variable in the regression model is the annual growth rate of real GDP. The independent variables include the public debt-to-GDP ratio, the composition of public spending, and other control variables such as the investment-to-GDP ratio and the trade openness ratio.

To inspect the crucial linkage between the variables under concern, historical annual time series data will be used. All series will be retrieved from the respective data sources through the DataStream online services. Whether the available data are not seasonally adjusted, they will be applied for seasonal adjustment in order to lessen the noise of seasonal impacts.

In data analysis, the natural logarithmic transferred data will be applied for summary statistics: mean, median, maximum, minimum, standard deviation, skewness (i.e., lack of symmetry), excess kurtosis (i.e., fat-tailedness), and the Bera-Jarque test of Bera and Jarque (1980) for normality.

Methodologically, this study closely follows the most recent papers, which employed new methods for measuring the public debt and economic growth nexus. Most specifically, in empirical analysis, the level of correlation between the variables under concern will be examined using the linear regression model. While measuring the density of relationships between the indicators, it will be analysed based on regression and correlation analyses.

Expected results

Through carrying out this study, it can be determined the strategy of public debt for the Uzbek economy and the highest point of public debt, that of using the funds effectively, the impact of public debt on economic growth as well. Most importantly, an economic model will be created that will form the basis for strategic decisions in public debt management.

The findings of this article have important implications for policymakers in Uzbekistan. The government should be careful about its borrowing habits and should ensure that public debt is used to finance productive investments that lead to economic growth.

As a point of science, this study contributes and is usable in writing scientific articles, theses, and other research papers.

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