

**STABILITY RATING IN DIGITAL FISCAL GOVERNANCE:
METHODOLOGICAL FOUNDATIONS AND PRACTICAL
EFFECTIVENESS**

Abdullayev Zafarbek Safibullayevich
Independent Researcher (DSc) at Tashkent State University of Economics
zafarbek.abdullayev555@gmail.com
ORCID: 0009-0000-2685-5398
Tel: +99850 713 5555

ABSTRACT	KEYWORDS
This article analyzes the economic, legal, and methodological foundations of the business entity stability rating system developed under Uzbekistan’s regulatory framework. The rating indicators are reviewed in comparison with international practices and evaluated in the context of digital fiscal governance and tax discipline. Practical challenges in the system are identified, and improvement recommendations are proposed. The study provides theoretical insights and policy suggestions aimed at enhancing the effectiveness of fiscal reforms in Uzbekistan.	Stability rating, fiscal governance, tax discipline, entrepreneurial entities, digital transformation, assessment indicators, automated platform, VAT, turnover tax, rating methodology, fiscal reforms, international rating systems.

Introduction

Increasing fiscal discipline, tax transparency and institutional stability of business entities in the economy of the Republic of Uzbekistan is one of the priorities of state policy. In recent years, innovative approaches are being introduced aimed at simplifying tax administration, accelerating digital transformation and forming a trust-based public-business relationship. In particular, the system “stability rating of business entities”, which evaluates tax discipline on the basis of digital indicators, performs automated real-time analyzes, was formulated as an innovative fiscal management mechanism (Mirziyoyev, 2024; Aripov, 2024). Based on the Presidential Decree PQ-39 of January 23, 2024 and the Cabinet of Ministers Resolution No. 55 of January 30, 2024, the system in question was introduced on a normative-legal and methodological basis.

This rating system carries out a systematic assessment of the indicators of economic efficiency, tax discipline, financial transparency, integration into digital infrastructure and social responsibility of legal entities through a modern automated electronic platform. The results of this assessment serve as a strategic information tool for selective fiscal incentives, targeted distribution of tax and credit benefits, effective orientation of budgetary resources. At the same time, the rating system provides the opportunity to strengthen the atmosphere of mutual trust between the public-private sector, form a

regulatory mechanism for regulating economic behavior, and conduct tax policy on the basis of a risk-based differential approach.

This article covers in depth the formation of the rating system, the legal, theoretical and methodological foundations, the classification of assessment criteria, their mechanisms of numerical analysis, as well as the practical role of the rating system in fiscal management. The methodological approach brings comparative analysis with international rating systems (S&P, ESG, Doing Business), as well as diagnostic evaluation methods under national rating criteria. The theoretical and practical basis for improving the efficiency of the national system through improvement proposals developed by the author, algorithmic assessment, monitoring based on information technology and the application of rating results in economic policy are described.

Research Methodology

In this study, scientific and methodological foundations were developed on the basis of a comprehensive approach to the analysis and assessment of the system of stability rating of business entities. The research methodology covers theoretical, legal and statistical aspects related to the formation of the rating system, evaluation criteria and their practical application.

As a research approach, descriptive (descriptive) and analytical methods were used, as well as a method of comparative analysis based on international experience. For the analysis of rating indicators, a digital monitoring approach was applied based on diagnostic assessment, their mechanisms of operation on an algorithmic basis, as well as data formed through an automated platform. The research process used national regulatory legal acts, the information platform of the state tax committee, practical slides and statistics on rating criteria as the main source of information.

The study analyzed 23 rating criteria representing the economic efficiency, fiscal discipline, culture and social responsibility of legal entities. These criteria were evaluated, separated into general, reducing and stimulating indicators. The evaluation algorithm, Scoring Criterion and periodicity of each indicator were considered separately. Also, on the basis of practical cases, the formation of rating points in the activities of certain subjects and the factors affecting it were analyzed with examples.

As a sample, more than 30 subjects with different rating levels (AAA–D) were purposefully selected from within legal entities where rating assessments were determined between 2023 and 2024. The assessment examined real factors affecting the rating based on criteria such as duration of activity, tax discipline, scope of work with Ehfs, salary Fund, number of employees, financial stability.

The reliability and accuracy of the methodological approach was justified by the inextricable relationship between indicators in the rating system, their economic and tax-legal content. The automation of the rating system, limitations of the human factor, and real-time evaluation capabilities serve to ensure the objectivity of the results. Through this, the results of the rating are used not only as a fiscal management, but also as a reliable source of information in Selective Tax Policy, credit policy and financial monitoring.

Analysis and Results Discussion

The rating system is formed with reference to legal and regulatory documents, international rating experience and digital assessment tools. The system consists of 23 criteria, divided into three categories: general indicators, points-reducing indicators, and incentive indicators giving additional points. Each indicator has a defined evaluation algorithm, weight coefficient and evaluation period.

The evaluation process is based on a 100-point scale and is carried out in real time through an automated electronic platform. The platform automatically determines the rating of the subject, assessing the data on tax, financial, Labor and digital document management of the activities of legal entities on the basis of an integrated analysis. This limits the human factor and provides objectivity and transparency.

Also, one of the important features of the rating is that it allows you to differentiate tax administration, strengthen fiscal discipline, promote social responsibility and assess economic activity on the basis of tax burden. The methodology of the system is harmonized with international criteria (S&P, Doing Business, ESG), adapted to local economic conditions.

One of the most important components in the formation of a sustainability rating of business entities is general indicators. These indicators make it possible to assess such cases as financial stability of a legal entity, fiscal discipline, operational efficiency and infrastructure fundamentals (Figure 1).

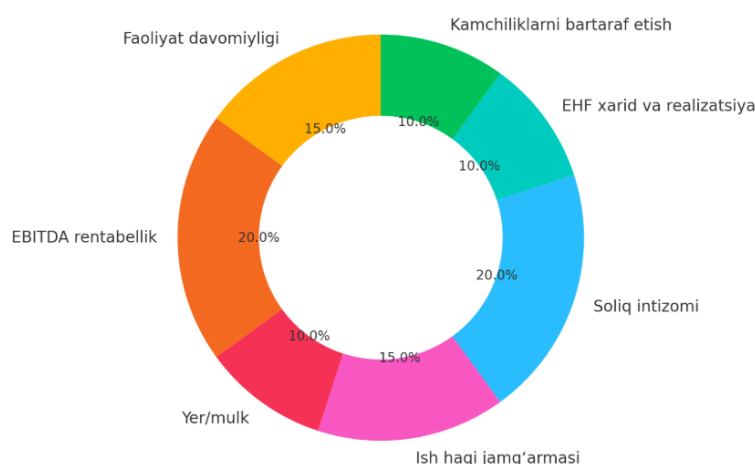


Figure 1. The relative weight of the total indicators in the rating.

The diagram above describes the relative weight of the overall indicators in determining the stability rating of business entities. In it, the tax discipline and the profitability criteria in EBIT have the highest weight, which represent the fiscal discipline and financial stability of the entrepreneur. Activity duration and wage fund indicators measure operational history and social responsibility. Land / property, realization through Ehfs, are assessed as indicators of the culture of internal infrastructure, digital order and legal treatment in eliminating deficiencies. Below is an analysis by each criterion.

Duration of activity. The number of years a legal entity has operated from the date of state registration is one of the main factors in determining its business life cycle and financial stability. This criterion represents the company's time-tested in a market economy, its potential to continue operations, and its ability to reduce the level of operational risks. In the scientific literature, this factor is considered on the basis of the law of Gibrat and the theory of the life cycle (OECD, 2021), that is, firms with larger and longer operations are usually rated higher in terms of stability, although they have a lower growth rate. Therefore, this indicator is seen as a component with a high weight in rating assessment.

Profitability in EBIT. This indicator is used to determine the economic efficiency created as a result of the main activity of the enterprise. EBITDA (Earnings Before Interest, Taxes, Depreciation and

depreciation i.e. interest, tax, depreciation and pre-depreciation income) allows the company's financial results to be assessed without the variable impact of costs.

The rate of profitability is calculated as the ratio of EBITDA to net gains (EBITDA margin = $\text{EBITDA} / \text{income} \times 100\%$). This indicator serves as a relative measure of the financial stability of the company, the potential for debt recovery, investment attractiveness, as well as internal operational efficiency. In practical terms, this indicator is assessed in market conditions by analogy with the industry average, which makes it an objective indicator in rating assessment.

Land and property. This criterion expresses the fact that the business entity has the main infrastructure resources for conducting production or service activities. The presence of plots of land and real estate objects indicates that the company operates at a permanent destination, has formed the resources of property with an investment basis, and the possibility of increasing the collateral potential in obtaining a loan. Viewed from a scientific point of view, this indicator indicates that the company has a long-term operating capital model, operating more capital-based activities than lease-based models. In practice, however, companies that do not have real estate ownership or long-term leases will have higher tax risk indicators because of their lower location, stability, and control levels. Therefore, this criterion is important in the ranking and has a direct impact on tax transparency.

Salary fund. This indicator represents the official level of employment and the state of the fight against the hidden economy through the amount of the total wage fund paid to employees by the enterprise. From a scientific point of view, the growth of the wage fund means fair compensation for the number of employees and their labor, which is seen as a factor in ensuring social stability and economic inclusion. In the rating system, this criterion is assessed on the basis of Mhtek (minimum wage) in Uzbekistan in relation to regional and industry averages. Also, this criterion indicates the openness of the enterprise on the tax base, its legal participation in the labor market and formalized jobs. In practical terms, it is recommended that dynamic monitoring and growth stability assessment mechanisms be implemented into the system in order to reduce the likelihood of obtaining rating points through an artificially increased wage fund.

Tax discipline. It serves to assess the timely and complete fulfillment of the tax obligations of a legal entity established by the state. Tax discipline consists of two main structural elements: firstly, the filing of tax reports within the legislated deadlines, and secondly, the payment of the accrued tax amounts within the established deadlines. In the scientific literature, tax discipline is considered as an indicator that measures the level of subordination of taxpayers to fiscal laws, and it is the main factor determining the effectiveness of fiscal policy. In practical terms, high tax discipline ensures the stability of state budget revenues, makes it possible to maintain the operational database of tax authorities in a complete and updated state. Therefore, in the rating system, this indicator has an assessment criterion of 10 points, which is considered a component with an important priority in objective assessment.

Shopping and realization through ehfs. This criterion assesses to what extent the business entity uses electronic document management (EHF) tools in business transactions and the compatibility of purchases documented through these tools with realizations. In scientific theory, this indicator is recognized as a mechanism that ensures digital fiscal discipline, tax transparency and the legitimacy of transactions with counterparties. The full and timely formalization of ehfs allows the tax authorities to conduct automated monitoring, which is an important tool in determining cases of illegal trade, hiding receipts and the use of fake enterprises. From a practical point of view, the percentage ratio is determined on the subsequent realization of the purchased goods. Rating scores on unrealized goods

of 70% or more will be reduced, since this situation indicates the possibility of artificial inflation of internal consumption, hiding reserves or performing fake transactions. Therefore, the EHF criterion is evaluated as an indicator with a high weight in the rating system.

Elimination of shortcomings. This indicator measures the quality and speed of the reaction indicated by the business entity in relation to the shortcomings identified by the tax authorities. In scientific theory, this indicator represents the level of institutional subordination and fiscal responsibility. The voluntary, set deadlines, and total elimination of deficiencies indicate the reliability of the subject in the tax-legal environment. In practical terms, this indicator is determined by the analysis of cases determined through the information systems of the tax authorities, and the scores are based on the following criteria: if there are no shortcomings or they are fundamentally rejected – 10 points, if voluntarily eliminated – 7 points, if the tax audit is eliminated by appointment – 5 points. Through this criterion, the rating system assesses the level of self-control, tax responsibility awareness and legal awareness of the subjects.

In determining the stability rating of business entities, a block of general indicators is of strategic importance, which allows a comprehensive assessment of the financial stability, fiscal discipline, Social Responsibility and infrastructure capabilities of the enterprise. Especially in EBIT, indicators of profitability and tax discipline are one of the main pillars of the rating system and represent the economic potential of the enterprise and the level of compliance with the laws. Each of these general criteria ensures an objective and complex formation of the rating. By evaluating them perfectly, the chances of ensuring a healthy business environment and fiscal discipline in the country increase. For this reason, it is necessary that these criteria are focused in the rating assessment.

In the formation of the stability rating of business entities, not only their positive activities are taken into account, but also negative situations in the financial, institutional and fiscal discipline. In particular, the low rating of enterprises with certain signs of risk acts as a penal (punitive) component of the rating system. Through these indicators, instability in the activities of the subjects, risk of violations or lack of transparency are identified, and these cases cause a decrease in rating scores.

Uzbekistan's Sustainability Rating System has the following peculiarities when methodologically compared to the international ranking models considered above:

* Rating criteria are based on information collected through automated analytical platforms, integrated into tax information systems formed by the bodies of the state tax service of the Republic of Uzbekistan. This approach ensures minimization of the human factor in the rating assessment process, real-time monitoring, and objective assessment of the subjects' fiscal discipline.

- Each rating indicator is automatically monitored in real time based on data from the state tax committee and related information systems. This process is carried out through digital traces and evaluated through algorithms that work without human intervention, which ensures impartiality and accuracy in the formation of the rating.
- The system integrally evaluates the indicators of tax discipline, level of digitalization, fiscal stability, financial transparency and social responsibility of legal entities. Through this approach, not only the fulfillment of tax obligations, but also the level of overall economic and social stability of the subject is analyzed on the basis of specific indicators.

From a scientific and methodological point of view, Uzbekistan's stability rating system differs significantly from global rating systems such as ESG and Doing Business in terms of its main purpose, evaluation criteria and base of indicators used. The basis of this system is aimed at determining fiscal

activity, the quality of the fulfillment of tax obligations, the culture of maintaining digital reporting and economic behavior through automated digital assessment. While S & P Global Ratings is focused on identifying credit risks, Uzbekistan's rating has been shaped as a tool for determining tax-specific real-time discipline. Therefore, this system acts as a reliable interface that strengthens the mechanisms of fiscal management of the state, increases the effectiveness of tax administration and strengthens trust in state–business relations.

Conclusions and Suggestions

Although the stability rating system is considered as an innovative tool in the analysis of the economic discipline of legal entities through digital assessment of tax and fiscal discipline, during its practical application, some methodological shortcomings and cases of abuse are being identified. The scientific-theoretical approach shows that some of the criteria cannot fully reflect the real economic efficiency of the business entity or can lead to statistical misinterpretations. In particular, certain indicators present in the rating system do not provide analytical accuracy, negatively affecting the reliability of the assessment results. Also, the formulas or evaluation algorithms of certain criteria do not fully correspond to the principle of objectivity. Below are the main practical shortcomings identified and systematic, theoretical and technological-based proposals for their elimination.

Firstly, when calculating the period of activity, taking only the date of state registration as a criterion poses the risk of incorrect assessment of the subject's real economic activity, that is, not taking into account the operational actions of the subject, such as the production, realization or service of products (work, service). This approach leads to an unreasonably high score on subjects who have not started an activity, but are registered organizationally-legally. As a result, legal entities without economic activity, but looking “young”, can remain entitled to benefits in tax policies. Scientifically-theoretically, this situation negatively affects the effectiveness and fairness of the rating system and reduces the reliability of the rating as a means of financial analysis. Therefore, when assessing the period of activity, it should be determined not only on the basis of the time of official registration, but also on the basis of the date of the beginning of real economic activity, for example, on the basis of the first turnover, hiring a worker or the beginning of banking operations.

Second, real estate availability increases the risk of artificiality in assessment when used objects are given a full score in a rating system in less than 12 months. From a scientific point of view, the duration of real estate ownership and its use should reflect the operational stability of the enterprise and its robustness in terms of infrastructure. If the object exists only on a short-term lease or in technical documents and is not in real operation, this situation leads to a false formulation of the rating. Subjects are also trying to artificially increase the rating through real estate, which has been used for less than 12 months, but has been officially documented for the purpose of receiving VAT refund or exemption. Therefore, in the rating system, this criterion should be assessed only on the basis of the real term of use, based on the circumstances approved by objective sources such as EHF, bank transactions or utility bills.

Thirdly, when scoring through artificially high performance of the payroll fund, businesses are attempting to gain excess points from the rating system by showing excessively high salaries to certain employees during the short-term period. These manipulative methods can adversely affect the reliability of the rating, causing financial consequences. Scientifically, this situation leads to a misinterpretation of official employment indicators and disrupts macroeconomic statistics. In practice,

however, it is recommended to introduce automatic monitoring mechanisms based on the dynamics of wages, employee volatility, analytical indicators on tax and insurance contributions, as well as information from electronic payment systems to determine such a situation.

Fourth, when making multiple adjustments to the report, the indicator reflects the weakness of the subject's internal control system (KPMG, 2022; Abdullayev, 2024), the level of accuracy of accounting and the lack of a responsible approach to tax obligations. In the scientific-theoretical approach, this situation is considered in the context of information asymmetry and the problem of agency, that is, the quality and reliability of information being conveyed to state bodies decreases. In the case of amendments made especially mandatory due to technical or regulatory changes, the automatic determination of a penalty score negatively affects the fairness of the rating system. For this reason, when evaluating corrections, it is recommended that a differential penalization approach be introduced based on their causes, frequency and scale.

To improve the sustainability rating system of business entities, it is necessary to introduce automated monitoring and anomaly detection algorithms in the cross section of criteria, deepen point differentiation, expand digital audit-based assessment and integrate new indicators into the system, such as export potential, environmental responsibility and innovative activities, this approach will transform the rating system from a static mechanism into a dynamic and predictive platform

Through this, the reliability, methodological accuracy, and digital transparency of the rating system are ensured. In the assessment process, it will be possible to reduce the human factor, more accurately express economic differences between the subjects, and strengthen the risk-based selective approach. The improved system serves not only as a monitoring and control mechanism for tax authorities, but also as a credit rating alternative for financial institutions, and as a means of self-analysis and assessment of the level of competitiveness for business entities.

The stability rating is taking shape in Uzbekistan as a strategic institutional basis of modern digital fiscal management (Abdullayev, 2024). It serves to form a trust-based fiscal dialogue between the state and business entities, effectively managing their relationship through digital monitoring and analysis. Within the framework of the rating system, key indicators such as tax discipline, financial stability, level of digitization and social responsibility of legal entities are evaluated through automatic information systems in real time. As a result, on the one hand, tax administration simplifies and subjective approaches decrease; on the other hand, the possibility of differential allocation of state resources, conducting stimulating fiscal policies and predicting economic risks arises.

Scientifically-theoretically, the rating system makes it possible to systematically assess the activities of business entities through complex indicators measuring economic efficiency, fiscal discipline, financial transparency and institutional stability. This approach serves as a theoretical framework in modeling economic behavior, determining risk levels, and shaping optimal regulatory relationships between the public-private sector. In practical terms, however, this system ensures that large and medium-sized business entities are encouraged on a rating basis, while small and non-formalized entities adapt to ranking criteria through tax discipline and economic activity. The rating system thus functions effectively as a mediator of the economic formalization process.

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