



FACTORS AFFECTING ECONOMIC GROWTH IN UZBEKISTAN AND THEIR DYNAMICS

Jazira Buranova

Head Specialist of the Department of Academic Activities and Registrar
At the Tashkent State University of Economics

Abstract

The article examines the factors and essence of economic growth, as well as factors affecting economic growth in the conditions of Uzbekistan. The dynamics of the development of the GDP of Uzbekistan from the beginning of the reform of the economy to the present has been studied. A study was made of the effectiveness of economic growth factors, taking into account quantitative and qualitative indicators.

Keywords: gross domestic product, economic growth, savings, efficiency, capital intensity of economic growth (ICOR)

In market conditions, the main goal of the country's macroeconomic policy is the gradual and gradual development of the national economy by increasing growth rates and expanding systemic links between production, consumption and capital accumulation.

In 2016-2018 in the Republic of Uzbekistan, the total growth in gross domestic product (GDP) amounted to 7%, and from 2019-2021 this figure increased by 8-9%. In order to maintain such a pace of economic development, it is important to determine by what factor this level was provided and how it can be accelerated.

This requires a description of the concept of "economic growth". The authors give different assumptions to the concept of "economic growth". According to J. Stiglitz, A. Sen, and J. Fitous, "economic growth is an increase in real gross domestic product (GDP) [1].

According to S. Gubanov's description, "economic growth is calculated on the basis of vertical integration of value added. According to their total value, GDP is formed". According to the description of E. Lavrov and E. Kapaguzov, "economic growth" is an increase in GDP per capita compared to the previous period". According to K. Khubiev's description, "economic growth" is an increase in national production due to the quality and quantity of production factors" [4].

Thus, the increase in the size of real GDP is a quantitative indicator that characterizes the rate of economic growth.





Analysis of Economic Growth Factors

In economic books, growth is defined as supply (land, labor, capital, technology), demand (government spending, consumer spending, capital investment, net exports), and distribution. In addition, growth factors are divided into main and secondary types. In another source, the factors of economic growth are studied by distribution into human, social and natural factors [3].

To ensure long-term economic growth, it is necessary to accelerate the introduction of new equipment and technology into production, investments in fixed and human capital, which is confirmed by the positive dynamics of the economic development of countries with market economies over the past decades [5].

The criterion for short-term and long-term economic growth is considered to be a change in the quantity and quality of factors that change the potential volume of production.

The short-term period is studied for 1-3 years and this is due to the external economic situation and macroeconomic policy. In addition, the long-term period (5-10 years) is associated with structural changes.

In the studies of domestic scientists-economists, attention is paid to identifying the main sources of medium- and long-term economic growth, in particular, increasing the efficiency of production, developing innovative activities, and attracting national and foreign investments [1].

Based on the analysis of studies of foreign and domestic scientists on economic growth, taking into account the specifics of the national economy, the author made a certain conclusion. At present, the important factors of economic growth in the republic are:

- the volume of investments in fixed and human capital;
- the level of use of new equipment and technologies;
- demand factors, savings and measures aimed at their increase;
- a policy aimed at the efficient distribution of labor resources and their quality management;
- increasing labor productivity and developing priority sectors of the economy.

A study was made of the dynamics of the development of Uzbekistan's GDP from the beginning of the reform of the economy to the present, based on the identification of stages of decline and growth. The decline in GDP production continued from 1991 to 1995, and then a growth stage began in 2004, which continues to the present. Thus, in the republic during the recession, the total volume of GDP decreased to minus 20%, including in agriculture - to minus 22.7%, and in industry the growth rate was 0.1%, the volume of capital investments decreased to minus 139,4% . Because of the





government measures taken in the recession phase, in particular, the creation of the legal foundations of market relations, the privatization of state property, the introduction of the national currency into circulation, economic growth began in Uzbekistan since 2004.

Table 1 Main macroeconomic indicators of the development of the Republic of Uzbekistan (in % of the previous year)

Years	Gross domestic product	Industrial production	Agriculture
2004	101,7	106,3	93,5
2005	105,2	106,5	105,8
2006	104,4	105,8	104,0
2007	104,3	106,1	105,9
2008	103,8	105,9	103,1
2009	104,2	107,6	104,2
2010	104,0	108,3	106,0
2011	104,2	106,2	107,3
2012	107,7	109,4	108,9
2013	107,0	107,3	106,2
2014	107,3	110,8	106,2
2015	109,5	112,1	106,1
2016	109,0	112,7	104,5
2017	108,1	109,1	105,7
2018	108,5	108,3	106,8
2019	108,3	106,3	106,6
2020	108,2	107,7	107,0
2021	108,0	108,8	106,8

In the republic, in the growth phase in 2021, the total GDP increased by 113.5% compared to 2003 (the average annual increase over these years was 6.3%), industry - by 145.2% (8.1%), agriculture - by 94.6% (5.2%) and the volume of capital investments increased by 192.1% (10.7%), respectively, in the period under review, macroeconomic indicators had a positive trend. For the first time among the CIS countries in 2009, the volume of GDP production in Uzbekistan reached the level of 1990 (Table 1).

Analysis of the effectiveness of economic growth factors. In Uzbekistan, there is a growth in the economy of macro indicators. The criteria for the difference between intensive and extensive types of economic growth, which consists in the difference in the efficiency of factors, formed on the basis of the spread of new technologies, has been studied [2]. The study of the effectiveness of economic growth factors, taking into account quantitative and qualitative indicators, revealed that the





increase in their effectiveness is associated with the level of employment, an increase in the volume of fixed capital, an increase in the share of savings, and an efficient allocation of resources. They, in turn, increase the qualitative characteristics of the indicator, which expresses the effectiveness of economic growth factors in the country, such as labor efficiency, capital productivity, capital intensity (ICOR coefficient), material and energy intensity of the real sector of the economy, export volume, and the level of competitiveness of production. In addition, the increase in economic growth factors is also associated with the stable development of political, social and ecological systems [3].

In Uzbekistan, an increase in the efficiency of economic growth can be achieved, firstly, by increasing the amount of capital in accordance with the change in the number of labor resources, and secondly, by increasing the possibilities for the efficient use of natural resources. In this case, it is necessary to pay special attention to ensuring continuous professional development of labor resources, the development of innovative activities, and the modernization of the national economy based on the use of new modern technologies. To this end, it is advisable to increase the volume of investments in the economy and the efficiency of their use, identify new sources of investment and invest them in the real sector.

Thus, the share of the investment factor in economic growth is more closely related to the return on capital (efficiency of the investment factor) than to its level (the amount of the investment factor). To increase the share of new invested investments, it is necessary to increase the degree of return on capital [5]. This, in turn, is associated with the efficiency of the labor factor, the creation of new jobs, the introduction of scientific and technological achievements, and the efficiency of investments.

An analysis of labor efficiency showed that this factor changes due to changes in the level of GDP and the total volume of production. In a comparative analysis of the labor efficiency indicator in the foreign sector, it turned out that this indicator in comparison with the national sectors is higher than 17 times. The reason for this is: technical and technological support of the foreign sector at the level of world standards; high level of investment in human capital; production of competitive and export-oriented goods and services. Thus, an increase in labor efficiency is associated with an increase in investment volumes. The share of investments in the production of GDP is less than the share of savings in total GDP. In order to use savings for investment in the economy, it is advisable to intensify the activity of the securities market, develop corporate governance, and create conditions for the accumulation of enterprises' own funds by pursuing a policy of accelerated depreciation. In addition,





it is expedient: to improve the system of state guarantees for the deposits of the population in the banking system; more widely involve free funds of the population in the investment process and strengthen the confidence of the population in the banking system. The Decree of the President of the Republic of Uzbekistan "On additional measures to liberalize the conditions and ensure guarantees for deposits of the population in commercial banks" was aimed at solving these problems and provides for the withdrawal of funds from the shadow economy and their involvement in the real sector [6].

The rate of investment growth and the level of inflation affect the quality of economic growth, for example, during a period of low inflation, the qualitative indicators of economic growth were high. Thus, to ensure the sustainable development of economic growth, it is advisable to maintain a low level of inflation through the implementation of fiscal policy aimed at supporting the real sector of the economy. In addition, inflation is opposite, related to the level of labor efficiency [7]. To improve the efficiency of labor in the economy, it is necessary to pursue a policy aimed at stimulating the optimal distribution of labor resources between industries. In addition, state support for the development of the leasing system in the field of small business and homework should be improved.

Conclusion

The factor of capital has a strong influence on economic growth in Uzbekistan. However, the share of the capital factor in economic growth in recent years has been on average lower than the shares of the other two factors. In order to increase the rate of economic growth in the country, it is necessary to pay attention to increasing the effectiveness of the above factors, the solution of which is facilitated by the following recommendations:

- it is necessary to increase the volume of capital investments and the level of qualification of the labor force, increase the efficiency of the use of attracted investments and introduce new technologies in the real sector, which requires an improvement in the investment climate in the republic;
- to ensure long-term sustainable economic growth, it is necessary that the share of savings in GDP be at a level of more than 30%;
- Currently, one of the main problems in Uzbekistan is the low rate of employment. It should be noted that in recent years, the level of employment of the population has been growing due to the creation of new jobs, due to an increase in the growth rate of investment in fixed assets. To ensure long-term economic growth and a positive trend





in the rate of employment, it is necessary to maintain the annual growth rate of capital investment at least 0.66%;

- the study showed that an increase in the level of labor efficiency leads to a proportional increase in the total product of the sectors of the economy and vice versa. In order to ensure sustainable economic growth, it is necessary to increase the efficiency of labor in the economy, reduce hidden unemployment, and pursue a policy aimed at stimulating the optimal distribution of labor resources between industries. In addition, it is necessary to improve state support for the development of the leasing system in the field of small business and home-based work;

- the level of labor efficiency in the national sector is lower than in the foreign sector of the economy, which negatively affects economic growth. To increase it, it is necessary to stimulate the attraction of foreign direct investment into the economy, improve the legal framework, develop measures for the further development of a favorable investment climate;

- investment growth rates and the inflation rate affect the quality of economic growth, for example, during a period of low inflation, the qualitative indicators of economic growth were high. To ensure the sustainable development of economic growth, it is advisable to take measures aimed at reducing inflation, fiscal policy, developing the real sector, and reducing the tax burden of producers.

References

1. Комилова К.А. Теоретические и практические вопросы экономического роста. Экономический рост и вектор развития современном Узбекистане// Вопросы экономики. 2021. №3.
2. Насриддинова Н.М. Темпы роста и воздействие на них государства // Экономический рост и вектор развития современном мире. - М.: Экономический факультет МГУ, 2020.
3. Лавров Е.И., Капогузов Е.А. Экономический рост: теории и проблемы: учебное пособие. -Омск: Изд-во ОмГУ 2021.
4. Stiglitz J., Sen A., Fitoussi J.P. Mismeasuring our Lives: Why GDP Does not add up. Report of the Commission on the Measurement of Economic Performance and Social Progress. N.Y.; L.: New Press. 2019.
5. Solow Robert M. Technical change and the aggregate production function // Review of Economics and Statistics. August, №39 (3); Jones C. Intriduction to Economic Growth. New York - London, Stanford University, 1997; Meier G., Stiglitz J. (eds.). Frontiers of Development Economics: The Future in Perspective. A co-publication of the World Bank and Oxford University Press. United States, 2019.





6. Ботиров Б.М, Павлеченко Р. А. Иностранные инвестиции и экономический рост: теория и практика // Мировая экономика и международные отношения. М.: 2020. № 1.
7. Якубов М.А. Перспективы узбекской экономики: проблемы и факторы роста // Экономический журнал ВШЭ. М.: 2020, № 2.

