

Inclusive Factors for Implementing Market Transformation

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Abstract: In the work was analyzed the entity of institutions, based on the study have been substantiated, the role of inclusive institutions in the long-term and high-quality growth of the economy and entrepreneurship. Also described the successful practices of institutional reforms in foreign countries, as well as the main aspects of the strategy for the formation an inclusive institutional environment. Noted that when foreign institutions importing and implementing it is important adopt them to the national conditions. Based on the accumulated international experience, has proposed practical measures to develop an inclusive institutional environment in the country.

Keywords: inclusive institutions, inclusive factors, economic growth, economic development, small business, private entrepreneurship, market transformation.

For many years, the rate of economic growth has been considered by economists and political leaders as the main indicator of the effectiveness of socio-economic policies. It was based on the long-held view that producing and providing more and more goods and services was the best way to improve people's living standards. It was assumed that economic growth automatically provides a solution to a number of problems, such as increasing employment, reducing inequality, eliminating poverty, etc. However, world experience has refuted the validity of such premises. Economic growth in itself does not solve the problem of employment, does not ensure fair distribution of resources and improve people's living standards.

Meanwhile, measuring only the economic product to assess the development of society turns out to be insufficient. It is incorrect to equate the growth of gross domestic product with an increase in the social well-being of the country's population. GDP measures the current production of goods and services, rather than the extent to which it contributes to broad socioeconomic progress, affecting household incomes, employment opportunities, economic security and the quality of life of the population.

In other words, GDP allows us to evaluate the growth of social production, and not the social results of this growth. The "author" of GDP, S. Kuznets himself, warned: GDP measures only economic activity, not well-being, and it is not a measure of the well-being of a nation.

The view that the benefits of economic growth should be shared by a broad cross-section of society has not always received universal support. Over time, the number of people who understand that economic development and growth should lead to prosperity and well-being for all is increasing, including among scientists and policy makers at the national and international levels. This increase in public awareness has led to increased recognition and understanding that growth must be inclusive - inclusive.

1. Introduction

Inclusive economic growth is closely linked to the level of economic inequality in a state. Economic inequality is a postulate defined as inequality between individuals regarding their role and participation in the process of reproduction, exchange, distribution and consumption of material goods. Economic inequality prevails throughout the world to varying degrees, since a minority of the population always owns the majority of national wealth and capital.

Inclusive economic growth is about more than income growth. According to the United Nations Development Program (UNDP), "human development" comes to the fore, consisting of indicators of living standards, literacy, education and longevity as the main characteristics of human potential.

The key distinguishing feature of the concept of inclusive growth is perhaps its emphasis on two aspects: results and opportunities. Inclusive growth refers both to the process itself and to its end results, i.e. people must both contribute capital to economic growth and enjoy its benefits in a broad sense and replenish their human capital.

Key points in defining inclusive growth can be identified:

- broader goals (not just increasing income or GDP);
- comprehensive development of human capital;

- reduction of inequality and poverty;
- the importance of active participation in economic life, and not just in the distribution of income;
- benefiting wide sections of the population, especially children, women, and the elderly;
- careful use of natural resources and environmental protection.

So, the inclusive development index, as a new generally accepted system for assessing the level of socio-economic development of a state, surpasses any other in terms of information content. In the future, it may take the place of one of the main indicators used in the process of planning the socio-economic development of society. This opens up new opportunities for realizing the concept of inclusive growth, achieving sustainable economic development, and solving social and economic problems.

An inclusive policy for the development of human capital implies the process of creating equal access and inclusion of a person in the development of his abilities, the formation of a social environment taking into account the interests and needs of individuals and social groups based on a qualitatively new attitude to everything around him, incl. to the man himself.

Achieving a qualitatively new state of the economy and society, solving the entire complex set of related problems is possible only on the basis of revealing the richest productive and spiritual capabilities inherent in man. At the same time, a person is considered not only as a means, but also as a goal of economic progress, and the economy is considered not only as a sphere of production of goods, but also as a sphere of production and human development.

An integral element of any market system, without which the economy and society as a whole cannot function and progressively develop, are small businesses and private enterprises.

Despite the fact that the level of scientific, technical and production potential of the state is mainly determined by large enterprises, the basis of the economy is SMEs. It is they who give the economy flexibility, mobility, and the ability for rapid structural and technical changes, which is a valuable quality in modern conditions of instability and periodic crises.

Despite the concentration of the bulk of small business enterprises in the field of trade and consumer services, this sector provides a significant number of jobs for the population. Small business and private entrepreneurship play a huge role in the economy of Uzbekistan. Over the past fifteen years, the share of SMEs in the country's gross domestic product has increased from 31.1 to 56.7 percent, or 1.8 times. Today, a third of all industrial and 98 percent of agricultural products are produced in this area. It employs more than 77 percent of the total employed population. The share of income from business activities is 52 percent.

The level of development of SMEs is an important indicator of the effectiveness of economic reforms carried out in the country. Despite the fact that economic growth is observed in Uzbekistan and there are favorable conditions for entrepreneurial activity, this process is developing unevenly, at a low pace and quality compared to developed countries.

In order for MBPE to fulfill the role of a sustainable segment of the national economy, support from the state is necessary. However, the previously applied fragmentary measures turned out to be insufficient to radically influence the development of entrepreneurship, to make it sustainable and competitive in modern conditions.

It is for this reason that the government, as part of the implementation of the Development Strategy of New Uzbekistan for 2022–2026, attaches great importance to the formation of an effective institutional environment, strengthening macroeconomic stability and maintaining high rates of economic growth, further strengthening the protection of private property rights, stimulating the development of small businesses and private entrepreneurship [1].

It is worth noting that the term “institutional environment”, most often used in modern economic science, was first introduced into circulation not so long ago - in 1971 by American scientists L. Davis and D. North.

According to the authors' interpretation, the institutional environment is a set of fundamental political, social and legal rules that forms the basis for production, exchange and distribution. L. Davis and D. North use the term institutional environment to refer to relationships that develop at the macro level, namely: general institutional frameworks that are restrictions on contractual agreements between individuals [2].

Another American economist D. Acemoglu notes that institutions, and especially economic institutions, are important because they influence the structure of economic incentives in society.

In particular, without property rights, individuals will have no incentive to invest in physical or human capital, or to adopt more efficient technologies. In addition, economic institutions are important because they direct resources to where they will be used in the most efficient way, determine who receives profits, income, and ultimately control the situation [3].

2. Methodology

The study used methods of information collection, analysis and synthesis, scientific abstraction, economic and mathematical modeling.

3. Results and Discussion

It is important to emphasize that institutional factors are essential, first of all, to explain long-term growth rates, i.e. cross-country differences in modern levels of per capita income. Attempts to explain differences in growth rates over short periods using institutional variables produce results that are statistically less significant and less stable [4]. These results are consistent with findings from studies of specific periods of economic growth acceleration in individual countries: such acceleration very often does not require fundamental improvements in local institutions. Growth can begin without this if it is possible to weaken the effect of any other, non-institutional restrictions in the economy. Recent examples of successful growth that began before major institutional changes were undertaken include the experiences of China and India. But over a long time period, the role of institutional factors seems to be decisive - without improving institutions, growth turns out to be unstable, i.e. The acceleration of development that has begun cannot be made sustainable. This, in particular, is the fundamental weakness of the growth model in authoritarian and non-market systems. The latter are quite capable of generating impressive short-term growth through internal mobilization of resources, but, as a rule, are not able to maintain this pace for any long period of time.

Despite progress in the study of economic growth processes and the achievement of a fairly broad consensus regarding the determining role of institutions, the formation of universal “institutional recipes” for growth, for example, a list of priority institutions for modernization, is extremely difficult.

Over the past century, there have been numerous attempts to transplant the institutions of developed countries into developing economies, but only in a limited number of cases have they been successful. Thus, the American economist D. Berkowitz analyzed the experience of modernizing the legal systems of 39 countries. The author recognizes the results of the reform as satisfactory only in 6 cases (Japan, Italy, Holland, Israel, Argentina and Chile) and notes that the main factor in the success of institutional import was the ability to adapt the introduced standards to local conditions and historically formed traditions, among which the established one occupies a special place law enforcement practice [5].

Here it is proposed to compare the institutional factors influencing the development of SMEs in OECD countries and in Uzbekistan.

Modern institutional research does not offer any universal recipes for large-scale acceleration of institutional reforms. Many issues will always require careful adjustments for unique local conditions. Moreover, certain aspects of institutional reforms, especially the political-economic aspect of the problem, require a much better understanding of the overall institutional dynamics. At the same time, attention should be paid to the following general conclusions made by D. Rodrik regarding the strategy of institutional change:

- in most cases there is no need for universal and all-encompassing reform of institutions. The reform strategy should focus on a limited set of key institutional constraints;
- the same goals can be achieved through different institutional solutions. The import of institutions must be balanced with their careful adaptation to national conditions;
- it is very important to pay adequate attention to strengthening institutions that ensure the economy's resilience to external shocks, such as the social protection system and consultative mechanisms between the government and major social groups [6].

Table 1 Negative impact of some factors on the development of SMEs in OECD countries and Uzbekistan, (%)

Factors that have a negative impact on the development of SMEs in OECD countries, (%)		Factors that have a negative impact on the development of SMEs in Uzbekistan, (%)	
Limited credit resources	36,5	Poor infrastructure	37,2
High inflation rate	34,6	Limited credit resources	37,0
Political instability	34,4	Variability of the legal and regulatory framework	36,5
Ineffective tax system	33,5	Corruption	34,7
High exchange rate	28,0	High inflation rate	30,7

Corruption	27,7	Ineffective tax system	28,0
Organized crime	24,5	High exchange rate	25,4
Poor infrastructure	17,0	Organized crime	21,8
Variability of the legal and regulatory framework	13,7	Political instability	16,4

Source: Center for Economic Research and “2nd OECD conference of ministers responsible for small and medium-sized enterprises (SMEs) promoting entrepreneurship and innovative SMEs in a global economy: Towards a more responsible and inclusive globalisation, p.15”. [7]

If in the first half of the 90s the need to strengthen market institutions was most often considered within a rather narrow framework, then in recent years institutional factors have been given a central role in explaining the successful implementation of market transformation and ensuring the sustainable development of small private enterprises. The effectiveness of various economic policies, including privatization, subsidy reduction, and promotion of competition, depends largely on the quality of the institutional environment in which the economic policies are implemented.

Currently, there is a small but rapidly increasing number of empirical studies on the impact of institutions on improving the business environment and economic growth in countries with economies in transition. In almost all of them, researchers are able to find a positive and statistically significant relationship between the quality of national institutions, the rate of economic growth and entrepreneurship development. One of the first works in this direction can be considered research conducted by the Swiss economist A. Brunetti, who analyzed the factors determining the volume of foreign direct investment in 20 countries with transition economies, while also considering the influence of institutions on economic growth and entrepreneurship development. A number of indices constructed on the basis of expert surveys were used as explanatory institutional variables:

- index reflecting the level of predictability of the adopted rules;
- political stability index – change of course by the executive branch;
- property rights protection index;
- index of reliability and predictability of the judicial system;
- corruption control index.

According to A. Brunetti, the impact on economic growth is assessed in two ways: either a separate regression is built for each of the listed indices, with control for initial economic conditions, economic openness, inflation and the level of government consumption. Or regressions are built for each index without including the above control variables, but using the instrumental variables method, in which these variables acted as instruments.

In both specifications, all institutional indices had a positive, statistically significant effect on economic growth and entrepreneurship.

Along with formal institutions (such as the quality of law and order and the protection of property rights), the business environment and economic situation are also influenced by informal institutions that relate to social capital. Social capital is defined as a cultural phenomenon that shows the degree of involvement of the country's citizens in political and economic processes, the presence of trust between citizens and the trust of citizens in their state institutions.

The conditions for highly effective state policy to support and stimulate the activity of the business sector as a driver of economic growth are ensured by regulatory and organizational measures aimed at simultaneously improving the domestic business environment and integrating Uzbekistan into the developing system of economic relations in the Central Asian region and into the global economic system as a whole.

At the same time, set in the Decree of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev dated January 28, 2022 No. UP-60 “On the development strategy of New Uzbekistan for 2022–2026”, the objectives take into account the results achieved in previous years and emphasize the role of the synergistic effect from the interaction of the spheres of science, education and business in solving current socio-economic problems and achieving the strategic development goals of Uzbekistan.

The relevance of the aspects under consideration is emphasized by a set of regulatory documents adopted by the Government of Uzbekistan in recent years. The objects of targeted incentive measures are:

- innovative potential of entrepreneurship as a factor in the optimal redistribution of economic resources, accelerated development of science and technology, increasing the socio-economic potential of the regions and sustainable growth in the standard of living of the population;

- employment and economic activity of the population, which is stimulated in the form of family entrepreneurship through the creation of favorable institutional and investment conditions;
 - legal guarantees for the protection of the rights and interests of business entities, ensured by optimizing the activities of executive authorities [8];
 - investment climate and business environment, developing based on expanding access of business entities to financial resources and production infrastructure [9];
 - financial and economic literacy of the population, the increase of which is ensured by the implementation of the basic functions of the Agency for the Development of Small Business and Entrepreneurship, which consists of expanding the types of non-financial support, including training the population in the basics of doing business and legislation in this area, skills in assessing the risks of entrepreneurial activity, improving the qualifications of entrepreneurs, organizing internships, etc. All line ministries and departments of Uzbekistan are involved in this process;
 - digitalization as a necessary condition for increasing the transparency of administrative structures, the efficiency of monitoring the business environment and the availability of administrative and information resources that expand the capabilities of small businesses;
 - social protection of the population, economic sectors and business entities during the coronavirus pandemic through the mobilization of internal and external resources [10, 11].
- At the expense of internal resources, continuous material and financial support is provided for families with children, tax exemptions for entrepreneurs and the suspension of the application of increased rates of property tax and land tax in relation to unused production areas. As a means of external assistance, grants and preferential long-term financing are attracted for measures to counter the negative consequences of the global coronavirus pandemic;
- reduction of the informal sector of the economy based on the widespread involvement of the population in business activities and the creation of additional conditions for legal work activities by simplifying the system of business registration and its taxation [12, 13].

4. Conclusions

Against the backdrop of positive growth processes, problems such as insufficient experience in competition, ignorance and inability to use modern management technologies, insufficient understanding of the capabilities of the digital business environment, etc. are clearly evident. Subject to full government support for the development of the private business sector, there is an urgent need to study and implement best practices business organization at the level of individual business structures.

It is important to train aspiring entrepreneurs in new approaches based on systems engineering, which combines and harmonizes the role of human capital and the material component of business organization. A process approach is also important when choosing current and strategic alternatives, which involves the active implementation of project management principles that allow flexible regulation and adequate transformation of the business at all stages of the life cycle based on risk-oriented management. Digital technologies, the widespread implementation of which is actively supported by state investment policy, already today make it possible to digitalize not only document flow, but also many business processes at the production and commercial levels [14]. Thus, for small businesses at the present stage, technologies for controlling the consumption of time resources, optimizing work processes and their transfer to the status of business processes with clearly defined responsibilities are becoming relevant, which makes it possible to meaningfully and effectively use budgeting, controlling and management accounting strategies that are purposefully allow you to regulate costs and increase the competitiveness of SMEs.

All of the listed tools become in demand provided that the economic and business activity of business entities is motivated as a result of the ongoing reforms within the framework of the Development Strategy of New Uzbekistan for 2022-2026.

In general, based on the above, we can conclude that inclusive institutions are an important factor in ensuring the growth and development of the national economy and improving the business environment, since it is this that creates sustainable patterns of behavior for entrepreneurs. In the absence of necessary reforms, economic losses caused by the inefficiency of existing institutions will increase at an ever-increasing pace.

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