

## **THE ROLE OF THE STATE IN INCREASING THE IMPACT OF INSTITUTIONAL CHANGES ON REAL SECTOR DEVELOPMENT**

**Kalandarov Ravshan Abdukayumovich**

**The Department of “Economy, Management, Taxes and Insurance”  
Tashkent Institute of Finance, Tashkent, Uzbekistan  
[kalandarov.1979@mail.ru](mailto:kalandarov.1979@mail.ru)**

### **INTRODUCTION**

Even in the current context of globalization, the most important institution in determining the direction of development of the real sector is the state. The state is the main defender of the interests of all participants in the process of production and consumption. In this regard, the state plays a leading role in the adaptation of all business entities to the ongoing institutional changes, taking into account the existing traditions, customs, management system. According to the institutional approach, the state can be assessed as an organization that implements the law, the definition of property rights, the "rules of the game" in the market, the rules of business, the rights and obligations of consumers, the terms of contracts, workers and employers.

The state is such a subject of the economic system that it has a monopoly power that creates general and special rules for each subject. The state, as an institution, is superior to all other institutions in carrying out its activities and implements planning at the macro level. It does not discriminate against the role and importance of independent businesses, but their freedom is within the rules established by the state. The sum of economic and administrative support forms the system of regulation by the state. However, this system is not static, it changes over time depending on the goals and objectives that the state has set for itself nationally and globally. The ever-changing forms and methods of regulation lead to changes in the real sector as well. Thus forming a system of legislative, executive and supervisory measures regulated by the state. These measures will be implemented by the authorized representatives of relevant organizations in order to improve and develop the entire economic system, along with the real sector of the economy.

Along with the task of regulation, the state also has the task of creating social benefits, the role of which in modern life is growing day by day. In recent decades, the role of the state in this regard has strengthened in the process of globalization of the world economy. This is due, firstly, to the fact that the economic system is becoming increasingly global in nature, ensuring the development of society. Second, the problems of globalization raise the issue of maintaining the specificity of the state economy, and in some cases - the specific features of a number of sectors of the real sector of the national economy.

## OBJECTIVE OF THE STUDY

The objective of this paper is to analyze the progress of institutional changes on real sector development in Uzbekistan.

## RESULTS AND DISCUSSION FACTOR

The state plays a special role in the effective use of various factors and their combinations to improve the real sector. In a market economy, competition is the driving force of growth, and with the help of the support of the state, the general economic, legal and social conditions of this process are created. In this case, non-economical methods are also important. Any form of government or any dominant form of ownership that concentrates the redistribution of raw materials, material, labor, and financial resources in its own hands can change the direction of development of certain sectors and the real sector of the national economy. Looking at history, we can conclude that the role of the state in economic development increases during periods of instability and crises (the global financial and economic crisis of 2008-2009, the socio-economic crisis of 2020-2021 caused by COVID-19 are clear evidence of this).

If the real sector regulatory model is ineffective, it is necessary to select or develop a model through the mechanisms and support of the state to ensure that it fully meets the interests of the individual, the community and society. The main aspect that determines such a choice is the rational use of all types of resources, ensuring effective economic development, creating normal living conditions for the entire population. The regulated system is, in its most general form, a socially oriented economy built on the advantages of a market economy and a planned economy. In our view, this model should directly and indirectly regulate the real sector. Decision-making on the current administrative-territorial structure of the country is carried out at three levels: macroeconomic-state, territorial-regions and local-districts and cities.

At the macroeconomic level, decisions are made in the form of state development and regulation of the macroeconomic situation. An effective policy for the development of entrepreneurship at the regional level, aimed at increasing the competitiveness of the real sector of the regions, should be formed.

The analysis of the role of the state in the process of establishing and influencing the real sector and determining the development trends of its industries and enterprises, which will allow to improve the system, can not be taken as a guide to action. State regulation is associated with the existence of some contradictory shortcomings. They can be classified as follows:

1. The state is not insured against various risks (economic, political, social). The scale of these risks or their miscalculation can be disastrous.
2. Public authorities seek to strengthen all types of control, which leads to the emergence of new administrative structures, which in turn impede the functioning of

market support. Ultimately, the bureaucratic mechanism hinders the effective development of the real sector of the economy.

3. The state can use forms and methods of regulation that can achieve high economic efficiency (liquidation of loss-making enterprises) or worsen the social situation (increase in unemployment due to liquidation of loss-making enterprises). The above two issues are very difficult to solve using the same means of regulation by the state

4. Public authorities may adopt laws, norms and regulations that meet the interests of some business entities and run counter to the interests of others.

5. The expansion of the scope of regulation by the state leads to the emergence of different structures whose activities overlap.

The bureaucracy, which is a form of social relations and relations, plays a special role in the negative impact of the state on the real sector. The development of bureaucracy and related institutions is linked to the division of social labor. It forms such a group of governing entities based on administrative subordination rather than objectively market relations. The results of bureaucratic activities can be considered as a group performing non-monetary administrative functions. This activity is necessary for all business entities operating within the laws (including both market and administrative regulations). It is the bureaucracy that ensures the unity of the country at the economic, political and ideological levels. Bureaucracy is an inevitable component of this system of governance and relations, and it also applies to the real sector of the national economy.

In order to limit bureaucracy in the country, to introduce modern market mechanisms of state regulation of the real sector of the economy, the President of the Republic of Uzbekistan adopted a program of measures to reduce the number of government employees from May 1, 2021<sup>1</sup>. According to him, a plan has been adopted to reduce the number of existing governing bodies from 43,969 to 38,681, or 5,288.

State intervention through planning and adoption of programs involves subsidizing and lending anti-crisis, structural and financial policies through the republican and local budgets. System planning guidelines developed by public authorities have the ability to correct structural changes. These structural changes usually lead to market imbalances, unemployment, capital flight, financial "bubbles", inflation and other such negative phenomena. In this regard, the following measures for effective operation can be identified:

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<sup>1</sup>Resolution of the President of the Republic of Uzbekistan No. PP-5053 of April 3, 2021 "On optimizing the structure of public authorities and reducing the number of staff."

1. Improving the administrative-territorial structure of the economy of our country.

2. Linking the interests of producers in line with market requirements and the social protection system of the population. We are talking about real sectors that serve to improve the quality of life of the population: construction, food and consumer goods.

3. Improving migration policy taking into account real sector interests and labor market needs.

4. Changing the policy in the industrial sector from the export of raw materials to the development of finished products and the creation of a knowledge-based, resource-saving and environmentally friendly industry in the long run.

5. Encouraging the freedom of movement of factors of production throughout the country. To do this, it is necessary to intensify investment policy in order to improve the quality of the economic space.

6. Implement a policy of rational protectionism in order to increase the role and importance of the real sector of Uzbekistan at the national and global levels.

7. Ensuring equal competition for all domestic producers.

Implementation of the above measures will require significant changes in the economic and legal mechanisms of operation in the following areas:

First, it is necessary to improve economic incentives to unite businesses located in different regions (including those without common borders). Interregional economic integration serves to develop and improve not only the real sector, but also the financial infrastructure. The gradual reorientation of inter-budgetary financial transfers to the development of the real sector of the regions will serve to increase their production efficiency. At the same time, it is necessary to increase the minimum wage and pensions and compare it with the subsistence level and take measures to increase them.

Republican assistance to the regions should be considered as part of a comprehensive program to improve the development of the real sector of the economy.

Secondly, we are talking about changes in the investment policy of the state. Investment resources allocated from the national budget should be directed primarily to projects that do not have a priority or sufficient commercial interest for private investors and meet the main goals and objectives of society. As a priority of investment policy in the economy of Uzbekistan "Target program for the commissioning of large production facilities and facilities in 2021"<sup>2</sup><sup>[2]</sup> It provides for

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<sup>2</sup>Resolution of the President of the Republic of Uzbekistan dated December 28, 2020 No. PP-4937 "On measures to implement the investment program of the Republic of Uzbekistan for 2021-2023".

the implementation of the following investment projects: construction and reconstruction of thermal power plants, hydroelectric power stations and solar power plants, modernization and reconstruction of Shurtan and Mubarek gas plants, Navoi and JSC Almalyk Mining-Metallurgical Complex (AMMC), construction and reconstruction of railways, purchase of new electric trains and planes, modernization of airports, expansion of production of household appliances, cotton textiles, footwear, silk fabrics, construction materials, food materials, chemicals, pharmaceuticals, metal products, cars and trucks, cotton, establishment of textile, fishing clusters and greenhouses. Only the state can carry out the development of the basic infrastructure of the national economy and attract appropriate economic resources for its development.

**Table 1**

**Directions for ensuring the effective development of the real sector of the national economy**

Level of exposure	Areas of influence
Macroeconomic	<ul style="list-style-type: none"> <li>– stimulating demand for real sector priority industries;</li> <li>– ensuring progressive shifts in the industry and technological structure of production;</li> <li>– promoting the growth of high-tech exports and import-substituting products;</li> <li>– assistance to relatively underdeveloped regions by the state.</li> </ul>
Territorial	<ul style="list-style-type: none"> <li>– priority development of high-tech industrial enterprises on the basis of modernization;</li> <li>– restructuring of primary production;</li> <li>– liquidation of inefficient industrial enterprises;</li> <li>– formation of strong "corporate foundations" of the industry.</li> </ul>
Local	<ul style="list-style-type: none"> <li>– prevention of deepening disparities between regions, districts and cities in terms of income, prices, employment rates, investment conditions;</li> <li>– development of high-tech industries and types of production</li> </ul>
Institutional	<ul style="list-style-type: none"> <li>– creation of contracts and protection of property rights;</li> <li>– creation of favorable conditions and investment climate for structural changes in the real sector;</li> <li>– determining the social direction of structural changes in the real sector;</li> <li>– improving human capital development institutions.</li> </ul>

Third, it is necessary to ensure the functioning of a single economic space with a favorable competitive environment. Non-systematic assistance by the state to

individual economic entities violates the rules of competition and disrupts the competitive environment in the economic life of the country. Therefore, it is important to develop effective principles for assisting enterprises in the real sector of the economy.

Fourth, the state should create a healthy competitive environment for participants in the real sector, regardless of their territorial location, and create equal rights and guarantees that do not allow discrimination and restriction of competition. In addition, we consider it necessary to strengthen the requirements for compliance with the legal framework governing the single economic space. Here, the role of institutions that regulate the activities of markets and ensure equal access to information and the credit system should be strengthened.

### **CONCLUSION**

The following table summarizes the impact of government mechanisms on real sector development.

The speed and quality of such work depends on many factors. The most important of them are:

- periodic fluctuations in the economy;
- rates and directions of economic growth;
- formation of various options of economic policy aimed at the development of the real sector of the economy;
- increase in the number and strength of positive factors affecting the real sector of the national economy;
- reducing the number and strength of negative factors affecting the real sector of the national economy.
- ensuring a balance between the network and regional structure of the real sector.

Understanding and applying these factors in practice will ensure the rapid development of the real sector of the national economy, the main problem facing science and practice. This, in turn, allows for the full satisfaction of economic interests, which allows for the effective solution of economic problems in society as a whole.

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