IMPLEMENTATION OF INSTITUTIONAL CHANGES IN UZBEKISTAN AND FACTORS INFLUENCING THEM

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Abstract: This article focuses on deepening democratic reforms within the framework of strategic programs for socio-economic development in the new Uzbekistan and achieving inclusive economic growth in the real sector of the economy. It highlights exogenous and endogenous factors influencing institutional changes. The article demonstrates that the complex impact of these factors intensifies the effect of changes in the overall economy and leads to a significant shift in the institutional landscape.

Keywords: institutional economics, economic evolution, dynamics of institutional changes, endogenous and exogenous factors, intellectual system, calculation indices, global competitiveness index, global innovation index, economic freedom index, index value, investment, tax policy.

Institutional economics is one of the scientific schools of thought that studies the problems of economic theory and economic practice in relation to institutional changes. In the current social climate, the scope of institutional changes is expanding, with their profound penetration into all spheres of human activity. The main reason for this is that products resulting from direct labor and intellectual work occupy a decisive role in every sector of the economy, along with changes in property rights.

The results of scientific works focused on the evolution of the world economy and the dynamics of institutional changes provide a foundation for identifying several factors influencing this process. Based on these, three important groups of factors can be distinguished: endogenous and exogenous factors, as well as their complex effects.

Exogenous factors influencing institutional changes mainly include global price increases, imbalances between commodity and money markets, and differences in exports and imports. It should be particularly emphasized that the deepening of the globalization process in the world economy further enhances the role of exogenous factors. These factors affect the economy, particularly the real sector, creating cyclical fluctuations. The negative impact of exogenous factors leads to a decline in real sector indicators and disrupts the equilibrium in the goods and services market.

In recent years, stagnation in the world economy has also emerged precisely due to exogenous factors and has necessitated institutional changes. Specifically, the pandemic caused by Covid-19 led to the disruption of logistics systems between countries and border closures, resulting in a sharp increase in the prices of raw materials and finished products, as well as the shutdown of some import-dependent industries. Furthermore, wars and conflicts between states serve as exogenous factors slowing down the entire world economy.

Endogenous factors of institutional changes are internal factors that lead to changes in the existing institutional system. These primarily include socially oriented factors of an economic nature. This refers to the desire of the entrepreneurial sector and households to change the current situation, comprising the aspiration to improve the level of well-being, as well as the pursuit of spiritual development within a certain range of moral and cultural values. The introduction of innovations in any form, based on people's inventive and innovative activities throughout the history of world nations, also serves as an endogenous factor of institutional changes.

Complex impact factors are the combined effects of endogenous and exogenous factors at various levels. The complex impact of these factors leads to an intensification of changes in the overall economy and a significant shift in the institutional situation.

The degree of influence of the above-mentioned factors on institutional changes is analyzed through indices that conduct global calculations. These include:

- Global Competitiveness Index. It is analyzed by the Institute of Management Development (located in Lausanne, Switzerland) and is focused on determining the competitiveness level of a country's real sector. It analyzes the state of the economy, government efficiency, business environment, and infrastructure, encompassing 333 indicators;
- Global Innovation Index. It is analyzed by the international business school INSEAD, Cornell University, and the World Intellectual Property Organization (WIPO). It is important for us to analyze the "Quality of Governance Institutions," which is its structural subindex;
- Index of Economic Freedom. This index has been maintained since 1995 by the Heritage Foundation in collaboration with The Wall Street Journal. When analyzing the process

of implementing institutional changes in the real sector of the country, it is important for us to examine this particular index. This index covers the main formal institutions in society and their changes.

The indicators in this rating do not always accurately assess the political and economic situation in a particular country. It should be noted here that sometimes rating indicators can be altered under the influence of the global political situation or pressure from certain states.

In our opinion, when implementing institutional changes in the real sector and studying the factors influencing them, it is important to analyze the sub-index "Quality of Governance Institutions," which is part of the "Global Innovation Index." It encompasses 3 indicators:

- The political environment in the country. This indicator included 3 sub-indices for the period up to 2015: political and operational stability, government effectiveness, and press freedom. After 2015, the analysis of the last indicator in determining the political environment was removed;
- Regulatory environment. It includes regulatory and legal quality, rule of law, and dismissal costs;
- Business environment. Until 2020, it included ease of starting a business, simplicity of resolving bankruptcy, and convenience of paying taxes. Since 2020, the tax payment convenience indicator has been removed from the index.

Institutional changes in property relations in our country are aimed at creating a favorable business environment for real sector enterprises. In Uzbekistan, the practice of transferring state property to business entities at zero cost, with conditions of investment and job creation, is being applied. This is yielding positive results.

Additionally, a new system for monitoring and regulating the activities of the real sector of the economy has been developed in the republic. In developing this system, institutional emulation was achieved. With its help, measures that do not contradict market economy principles were implemented, such as reducing control over price levels, activities of business entities and the banking sector, and avoiding excessive regulation in the development of entrepreneurship and trade relations.

The indicators that make up the Economic Freedom Index can be considered as measures reflecting the institutional changes being implemented in our country. The index combines 12 indicators (property rights, judicial effectiveness, government integrity, tax burden, government spending, fiscal health, business freedom, labor freedom, monetary freedom, trade freedom, investment freedom, and financial freedom) into 4 groups: rule of law, government size, regulatory efficiency, and market openness. The index reflects data from 186 countries and is assessed on a 100-point scale. The higher the index value, the more economically free the state is considered to be.

Although Uzbekistan's position in the Economic Freedom Index is improving, such progress has not been observed across all indicators. Some indicators show a level of 80-100 points, indicating "mostly free" economy, while others show a level of 0-49.9 points, indicating "repressed" economy.

From the history of economic doctrines, it can be seen that issues of property ownership have been at the center of attention for philosophers and economists from ancient times to the present day.

The reforms implemented in the tax system of our country deserve attention. These reforms are reflected in the adoption of a new edition of the Tax Code, the simplification of the taxation system, the optimization of the number and rates of taxes, and the automation of the system.

Investments in the real sector form the foundation of expanded reproduction. Thus, economic growth in the real sector is directly linked to the investment process. The low indicator of investment freedom in Uzbekistan necessitates the consistent continuation of reforms in this area. It should be particularly emphasized that, despite the implementation of legislation aimed at creating a favorable investment climate and providing various preferences for business entities in our country, problems in this sphere remain unresolved. An increase in the inflow of investments into the national economy will lead to enhanced economic growth in the real sector as a result of the activation of the multiplier mechanism.

The analysis of indices revealed the necessity for joint action of endogenous and exogenous factors in influencing the dynamics of institutional changes. This is because endogenous and exogenous factors, in the process of interaction, can have a significant positive influence on the formation or development of a particular institution.

Based on the analysis, the characteristics of a modern institutional system capable of effective functioning are:

- high level of professional training, qualifications, skills, and education of the workforce;
- high capital endowment indicator, low depreciation rate;
- high efficiency of capital and labor;

- high level of utilization of scientific and technological progress and innovations;
- degree of protection of property relations;
- Development of the intellectual property rights protection system.

The next stage of institutional changes implemented by the state aims to create conditions for more efficient allocation of economic resources - labor, capital, and land. The state's role in the national economy is being restructured in such a way that its involvement is increasing in fostering a healthy competitive environment and improving the quality of services provided in the fields of education and social services. In areas where the state's role is being reduced, land allocation is now conducted through auctions using market mechanisms; the state's share in the banking sector is decreasing, and exchange rates are being formed based on market mechanisms; the state's participation in production factors and fixed capital is sharply declining, and preferential lending and other non-transparent support for state-owned enterprises by the government is being reduced.

Institutional changes require a robust social policy to mitigate negative impacts on the population's standard of living, especially for low-income groups, and to improve the overall quality of life. In this regard, various social programs are being implemented in our country.

The role of state institutions is based on providing quality public services, creating a healthy competitive environment in the private sector, and utilizing market mechanisms in the distribution of state budget funds. In particular, the state maintains fiscal stability, keeps public debt at a standard level, and accumulates substantial funds in the Fund for Reconstruction and Development of Uzbekistan.

Reforms in the tax system have simplified tax policy and administration, reducing several tax rates without affecting state budget revenues.

It is important to study the impact of institutional changes being implemented in Uzbekistan on economic growth in the real sector. In this process, it is necessary to identify and analyze the influencing factors. The Economic Freedom Index, compiled jointly by the Heritage Foundation and The Wall Street Journal, can be assessed as a factor reflecting the impact of institutional changes on economic growth in the real sector.

When forecasting economic growth in the real sector, it is advisable to use the method of linear multifactor econometric modeling. The factors involved in constructing a multifactor econometric model are the indicators of the Economic Freedom Index, and it is important to study them as the main influencing factors.

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In conclusion, the implementation of institutional changes in Uzbekistan, along with the degree of exogenous and endogenous influences, will enable a positive shift in subjective and objective factors. This, in accordance with the reform concept, will allow for the advancement of the real sector through the widespread introduction of innovative ideas and advanced information and communication technologies.

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