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ENDOGENOUS GROWTH FACTORS IN THE SUSTAINABLE ECONOMIC DEVELOPMENT OF THE REGIONS OF UZBEKISTAN: A CONCEPTUAL MODEL AND EMPIRICAL ASSESSMENT

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Abstract. This article examines the role and regional characteristics of endogenous growth factors in the sustainable economic development of Uzbekistan's regions. The aim of the study is to identify the factors that determine the internal economic potential of regions, empirically assess their impact on economic stability, and develop a conceptual model of regional development. The study employed comparative and systems analysis, statistical grouping, indexing, and integral assessment methods. The level of sustainable regional development was assessed using indicators of industrial production, investment, small business, the service sector, and employment. As a result of the study, an institutional-driver model based on the logical relationship "institutional environment–economic drivers–social outcomes–integral stability" was proposed. The findings can contribute to the differentiation of regional economic policy, the efficient use of internal resources, and the reduction of interregional economic disparities.

Keywords: sustainable economic development, endogenous economic growth, regional economy, institutional environment, economic drivers, human capital, innovative development, regional differentiation, integral index, regional economic policy.

Аннотация. В статье рассматриваются роль и региональные особенности эндогенных факторов роста в обеспечении устойчивого экономического развития регионов Узбекистана. Цель исследования заключается в выявлении факторов, определяющих внутренний экономический потенциал регионов, эмпирической оценке их влияния на экономическую устойчивость и разработке концептуальной модели регионального развития. В исследовании использованы методы сравнительного и системного анализа, статистической группировки, индексного метода и интегральной оценки. Уровень устойчивого регионального развития оценивался на основе показателей промышленного производства, инвестиционной активности, малого бизнеса, сферы услуг и занятости. В результате исследования предложена институционально-драйверная модель, основанная на логической взаимосвязи «институциональная среда — экономические драйверы — социальные результаты — интегральная устойчивость». Полученные результаты могут способствовать дифференциации региональной экономической политики, эффективному использованию внутренних ресурсов и сокращению межрегиональных экономических диспропорций.

Ключевые слова: устойчивое экономическое развитие, эндогенный экономический рост, региональная экономика, институциональная среда, экономические драйверы, человеческий капитал, инновационное развитие, региональная дифференциация, интегральный индекс, региональная экономическая политика.

INTRODUCTION

Structural changes, technological transformations, and the intensification of environmental problems occurring in the global economy necessitate the search for new mechanisms to ensure sustainable economic growth in the regions. In modern economic conditions, the long-term development of regions depends not only on foreign investment and natural resources but also on the effective use of internal endogenous factors such as human capital, innovation, entrepreneurial activity, and the institutional environment.

Differences in the economic potential, specialization, and resource capabilities of regions in Uzbekistan lead to variations in the formation of economic growth drivers across regions. In some regions, industrial and investment activity is a priority, while in others, small business, the service sector, and the labor market are the main drivers of economic development. This situation indicates the need to differentiate regional economic policy not on the basis of a universal approach, but taking into account the endogenous potential and institutional characteristics of the regions.

From this perspective, the aim of the study is to empirically evaluate endogenous growth factors affecting sustainable economic development in the regions of Uzbekistan and to develop a conceptual model reflecting the interdependence between them. The study provides a comprehensive assessment of regional indicators in industry, investment, small business, the service sector, and employment and proposes an institutional-driver model based on the logical chain “institutional environment–economic drivers–social results–integral stability.”

LITERATURE REVIEW

The study of sustainable economic development and endogenous growth factors in regions is considered one of the crucial directions of modern economic theory. The conceptual foundations of the theory of endogenous economic growth were developed by P. M. Romer, who evaluates knowledge, innovation, and technological change as internal sources of long-term economic growth. He believes that the accumulation and dissemination of knowledge among economic entities increases production efficiency and creates a multiplier effect for sustainable economic growth [1].

R. E. Lucas paid special attention to the role of human capital in the process of endogenous growth. According to the research results, the accumulation of education, knowledge, qualifications, and professional skills not only increases labor productivity but also shapes the long-term development potential of the economy [2]. This theoretical approach allows for the assessment of human capital in the regional economy as a strategic driver of domestic economic growth.

R. J. Barro investigated the impact of public policy, public spending, and production infrastructure on economic growth within the framework of the endogenous growth model. The author substantiates that effective public spending and infrastructure investments increase the productivity of private capital and stimulate long-term economic activity [3]. This approach provides the basis for viewing investment and infrastructure policies in the regions as an important institutional factor for economic growth.

D. Acemoglu, S. Johnson, and J. A. Robinson link the fundamental causes of differences between countries and regions in long-term economic development to the institutional environment. Researchers argue that effective economic institutions expand opportunities for economic growth by protecting property rights, stimulating investment activity, supporting innovation, and promoting entrepreneurial initiatives [4].

M. E. Porter investigated the role of clusters, economic specialization, and local competitive advantages in regional economic development. According to his scientific approach, the existing economic potential of regions, production specialization, and the effective use of the local business environment contribute to increased regional productivity and innovative activity [5]. This indicates the need to identify the specific economic drivers of the regions.

A. Rodríguez-Pose, justifying the importance of institutions and the quality of local governance in regional development, notes that institutional efficiency is one of the important factors determining the effectiveness of regional economic policy [6]. The author emphasizes that adapting regional development policies to local economic, social, and institutional conditions expands opportunities for sustainable growth.

P. McCann and R. Ortega-Argilés promoted a policy of differentiated development based on the innovative, institutional, and production potential of regions within the framework of the “smart specialization” concept. Researchers argue that instead of applying unified economic policy mechanisms to all regions, it is necessary to consider the internal potential, competitive advantages, and priority economic drivers of each region [7].

The aforementioned scientific approaches substantiate the important role of knowledge and innovation, human capital, infrastructure, institutional environment, and regional specialization in endogenous economic growth. However, in existing studies, these factors are often studied in separate directions. In the context of the regions of Uzbekistan, issues regarding the generalization of indicators of industry, investment, small business, the service sector, and employment within a single integrated assessment system, as well as the comprehensive assessment of their relationship with the institutional environment and social outcomes, have not been sufficiently studied. This scientific gap necessitates the development of an institutional-driver model for sustainable endogenous economic growth in the regions and the differentiation of regional economic policy based on internal regional growth factors.

RESEARCH METHODOLOGY

The study employed a methodological approach based on a comprehensive assessment of endogenous growth factors influencing the sustainable economic development of Uzbekistan's regions. The research process utilized methods of systematic and comparative analysis, statistical grouping, the index method, normalization, and integral assessment.

When assessing the level of economic development of regions, industrial production, investment activity, small business, the service sector, and employment indicators were selected as the main drivers of endogenous growth. These indicators were indexed to ensure interregional comparability, and a generalized integral index (BUI) of sustainable economic development was formed based on them.

The results of the empirical analysis were used as a methodological basis for determining the differential characteristics of the drivers of economic growth of the regions and the formation of a conceptual model based on the interdependence of "institutional environment–economic drivers–social results–integral stability."

ANALYSIS AND RESULTS

The level of sustainable economic growth in the regions of Uzbekistan is not uniform, and the factors of economic development are manifested differently by region. In some regions, industrial and investment activity is high, while in others, small businesses, the service sector, or the labor market have emerged as the primary drivers of economic growth. This indicates the need to organize economic policy in the regions based on endogenous growth factors and institutional characteristics rather than a universal approach.

From this perspective, the study proposed an "institutional-driver model for sustainable endogenous economic growth in the regions." This model was formed based on the interconnection between institutional factors, economic drivers, and social outcomes that ensure economic growth in the regions. The primary objective of the model is to establish a mechanism for sustainable economic growth by activating the internal economic capabilities of the regions.

The proposed conceptual model is shown in Figure 1 below.

The model treats the institutional environment as the primary governing factor, since improvements in investment policy, infrastructure, digitalization, and the business environment can accelerate the activation of economic drivers. Specifically, the research results showed that industrial and investment indicators are highly developed in the Tashkent and Navoi regions, while small business has become the primary driver of economic activity in the Namangan, Samarkand, and Fergana regions.

In the second stage of the model, industry, investment, the service sector, and small business emerge as the main economic drivers of endogenous growth. Analysis showed that economic activity is stable in the Tashkent and Navoi regions, which have a high industrial index. At the same time, the small business index in the Namangan and Samarkand regions approached 100.0, and the private sector contributed significantly to supporting the labor market and domestic demand in these regions.

At the third stage of the model, the social results of economic drivers are formed. Employment, household income growth, and domestic demand are the primary indicators of economic stability. For example, despite high investment and small business indicators in the Kashkadarya region, the relatively low employment index indicates that labor market imbalances may limit the effectiveness of economic growth.

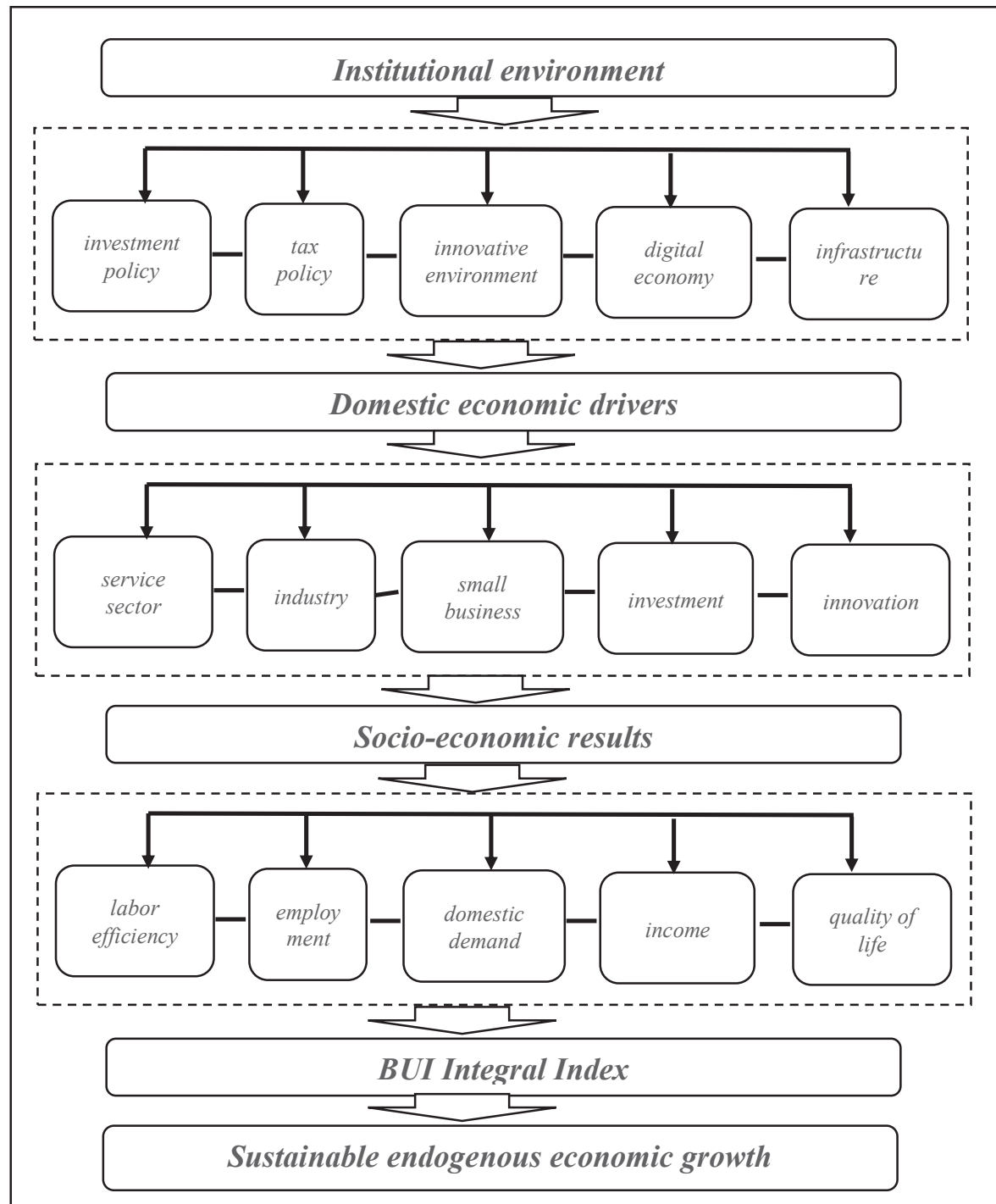


Figure 1. Institutional-driver model of sustainable endogenous economic growth in regions¹

At the final stage, the economic and institutional indicators are aggregated into the BUI composite index. This index made it possible to comprehensively assess the level of economic stability of the regions and enabled the regions to be classified into four groups of “very high,” “moderately high,” “medium,” and “moderately low.”

Based on the research results, the following practical proposals were developed:

- creation of regional investment funds in regions with low investment activity;
- expansion of the activities of industrial clusters in Navoi, Tashkent Region, and Andijan;
- support for the SME sector in Namangan, Samarkand, and Fergana through tax and credit mechanisms;
- development of labor market infrastructure in Syrdarya and Surkhandarya;

¹ Source: Developed by the author.

- strengthening the infrastructure of the service sector and the digital market in the Republic of Karakalpakstan;
- development of the innovative economy and high-tech services in Tashkent.

The proposed institutional-driver model represents a comprehensive mechanism for ensuring sustainable endogenous economic growth in the regions. The model serves as a theoretical and practical basis for the differentiation of regional economic policy, the effective use of domestic economic resources, and the reduction of economic disparities between regions.

Large and medium-sized cities act as important “growth poles” of economic development at the local, regional, and interregional levels. This situation is explained by the high concentration of economic, innovative, scientific, infrastructural, cultural, and informational potential within them. Under current conditions, large cities not only shape trends in economic and social development but also serve as centers for implementing new development ideas and innovative management models. In particular, concepts such as “smart cities,” “creative cities,” “green cities,” and “student cities” are actively developing in the urban environment.

Today, cities also serve as experimental zones for the implementation of innovations and technologies. Modern institutions such as e-government, digital services, participatory governance, and decision-making systems involving the population are initially formed in cities and subsequently spread to other regions. In this regard, cities contribute to the competitiveness of their territories, regions, and the national economy.

The level of development of the urban economy is largely determined by its economic specialization, elements of the creative economy, and local competitive advantages. In particular, innovative activities, the digital economy, the service sector, and high-tech economic sectors are becoming important drivers of urban development. This process strengthens the economic capacity and investment attractiveness of cities, directly affecting regional economic growth rates.

Achieving a new quality of economic growth in cities is particularly important from the perspective of inclusive development. Inclusive economic growth is closely linked to the living standards of the population, social equality, and the level of access to economic opportunities. Such a growth model implies a relatively fair distribution of economic results among all segments of society. Therefore, inclusive development serves not only to increase economic growth rates but also to improve the welfare of the population and reduce poverty.

Inclusive growth is important not only as a result but also as a process. That is, the active participation of the population in economic, social, and local decision-making processes is an important condition for sustainable development. This requires involving the population in decision-making processes, supporting local initiatives, and expanding public participation. From this perspective, it is important to take into account the interests of various segments of the population in regional development policy.

One of the key factors of inclusive development is human capital. Human capital is a complex of knowledge, skills, professional experience, and intellectual potential that serves as a vital driver of economic growth. A higher level of human capital can expand opportunities for innovative economic development. Therefore, in the modern economy, investing in education, healthcare, science, and vocational training is becoming a priority of economic policy.

In the current global economic environment, demographic changes, migration processes, and shifts in the structure of labor resources make the efficient use of human capital increasingly important. The more effectively the active part of the population participates in economic processes, the higher the economic stability of the regions. From this perspective, cities are of great importance as centers for human capital development and the formation of an innovative economic environment.

At the same time, the sustainable development of cities is not limited only to economic growth. Environmental sustainability, a green economy, the rational use of resources, and social inclusion are also important conditions for modern urban development. The “green cities” concept is aimed at ensuring the sustainability of the urban environment through the introduction of environmental technologies in transport, energy, construction, and services.

Cities, as the main centers of modern economic development, not only ensure economic growth but also serve as important drivers of innovation, human capital, the digital economy, and inclusive development. Therefore, strengthening the institutional, economic, and innovative potential of cities is crucial for ensuring the overall competitiveness and sustainable development of the country.

Sustainable regional development requires ensuring a balance between economic growth, social development, and the protection of natural resources. This means organizing economic activity in the regions based on sustainable development principles. Under such an approach, economic efficiency, social inclusion, and ecological balance should be considered in an integrated manner with one another. These aspects are considered among the important strategic goals of the regional management system.

The management of balanced regional development must be carried out on the basis of a clearly defined regional policy. In this regard, strategies, concepts, programs, and targeted plans for regional development

are of great importance. In particular, the economic specialization of regions and the correct determination of effective areas of activity are considered key factors for sustainable development.

The strategy is the primary management tool that determines the long-term development directions of the region. It defines priority goals and mechanisms for their implementation, which serve to ensure the stability and balance of the regional socioeconomic system. From this perspective, the sustainable development strategy of the region manifests itself as a system of comprehensive measures developed by taking into account the capabilities, resource potential, and existing constraints of the regions in achieving the country's long-term socioeconomic goals.

The sustainable growth of the regional economy is closely linked, first and foremost, to an increase in the level of innovative development. The widespread introduction of innovations allows for increased production efficiency, the rational use of resources, and the formation of a competitive economy. At the same time, the concept of sustainable development also implies reducing unsustainable patterns of natural resource consumption. That is, economic development should be pursued without placing excessive pressure on the natural environment and in compliance with environmental requirements and sustainability principles. This requires the introduction of appropriate environmental standards and responsible mechanisms for natural resource management.

The sustainable development strategy of the regions should be aimed at ensuring long-term development within the framework of the country's overall development strategy. The main goal is to improve the standard and quality of life of the population, facilitate the transition toward innovation-driven economic development, and achieve sustainable economic growth without harming the ecological balance.

The essence of sustainable development is manifested in solving existing social problems at the regional level, ensuring a balance between economic and environmental development, and creating a favorable living environment for the population. At the same time, this process requires the rational use of the region's overall resource potential. These resources include the geographical features of the territory, natural resources, economic and infrastructural capabilities, industrial potential, and the level of development of individual cities.

The implementation of the concept of sustainable development serves to ensure the harmonious development of society, the economy, and the natural environment. This concept provides for the implementation of the following tasks in various areas.

In the economic sphere, sustainable development is aimed at forming effective and long-term economic systems. At the same time, economic growth must be accompanied by the conservation of natural resources, increased production efficiency, and the maintenance of ecological balance.

In the social sphere, this concept serves to improve the quality of life of the population, strengthen social stability, and develop human capital. In particular, expanding access to education, healthcare, and other social services is an important priority.

In the field of ecology, sustainable development is aimed at preserving biodiversity, reducing the negative impact of human activity on the environment, and ensuring the rational use of natural resources.

In the field of science and technology, sustainable development stimulates the creation and implementation of innovative technologies. Such technologies contribute to increasing production efficiency, reducing environmental damage, and forming a "green economy."

The concept of sustainable development is widely applied at various levels of public administration—in international, national, regional, and local policy. It serves as an important methodological basis for developing development strategies, improving legislative and regulatory documents, and systematically addressing economic, social, and environmental problems.

The significance of this concept lies in its focus on ensuring a balance between economic growth, social needs, and environmental protection. Its consistent implementation will increase the efficiency of natural resource use, reduce waste and environmental pollution, improve the quality of life of the population, and ensure long-term economic stability.

In global practice, many countries and companies are incorporating sustainable development principles into their strategies. To achieve this, tools such as environmental standards, product certification, environmental protection mechanisms, corporate social responsibility, green investments, and resource-saving technologies are used.

However, the degree of implementation of these principles varies across countries and business entities. As a result, pressure on natural resources and the environment may increase, creating additional challenges for long-term sustainable development. Therefore, the broader implementation of sustainable development principles, raising public environmental awareness, and strengthening social responsibility for environmental protection remain important policy priorities.

Implementing the concept of sustainable development requires a wide range of measures across various sectors and management levels, ranging from individual actions to global policy.

This concept combines the principles of institutional economics with a resource-based approach. This approach can contribute to more effective regional management, the rational use of available potential, and the achievement of sustainable development goals.

According to the resource-based approach, the region is considered the primary object of strategic development. Its natural, labor, production, infrastructural, institutional, and financial resources are important factors influencing sustainable development. This approach contributes to the optimal use of regional resources, the balancing of economic activity, and the achievement of long-term strategic goals.

The formation of the region's sustainable development strategy is carried out in several stages.

At the first stage, sustainable development goals are defined or revised for each region based on the country's long-term socioeconomic development concepts and national strategic documents. In the context of Uzbekistan, this process must be aligned with the "Uzbekistan–2030" Strategy, regional development programs, and priority areas for the transition to a "green economy."

At the second stage, the external environment and competitive advantages of the region are analyzed. Economic, technological, social, institutional, and environmental factors influencing the sustainable development of the region are examined. The availability of resources, the product and service market, consumers, suppliers, competitors, and intermediaries in the region are also assessed. When determining competitive advantages, special attention is paid to natural resources, labor potential, production facilities, infrastructure, the institutional environment, and financial opportunities.

At the third stage, a SWOT analysis is carried out. This analysis serves to identify the region's strengths and weaknesses, development opportunities, and external threats. Most importantly, a SWOT analysis should not be merely a descriptive document; it must lead to clear management decisions on utilizing opportunities and mitigating threats.

At the fourth stage, the main strategic scenarios for the sustainable development of the region are developed. At this stage, various strategic alternatives are analyzed, their economic, social, and environmental consequences are assessed, and the optimal baseline strategy for the region is selected.

At the fifth stage, the chosen basic strategy is specified in practical directions. At the same time, a strategy for priority areas of territorial management, a functional regional development strategy, and sustainable development strategies for regional centers and large cities are formed.

Thus, the strategic model aimed at the sustainable development of the region is based on the effective management of its socioeconomic potential. This model is formed based on the "principles–process–results" logical chain, combining elements of institutional economics theory and a resource-based approach.

The main results expected from this approach are improvements in the quality of life of the population, the strengthening of the socioeconomic potential of the region, and ensuring the long-term stability of the regional socioeconomic system.

The sustainable development of a country and its regions largely depends on their role in the world economy, foreign economic relations, and cooperation with other countries in the fields of science, technology, and innovation. For such cooperation to be effective, the effective participation of relevant stakeholders in innovation processes is important.

In the context of regional innovation and regional development, public institutions play an important role. Public institutions can support the participation of scientific organizations, business entities, local authorities, and civil society representatives by reducing financial, organizational, and institutional barriers.

CONCLUSION AND SUGGESTIONS

The results of the study showed that endogenous factors of sustainable economic development in the regions of Uzbekistan are formed differently depending on the economic specialization, resource potential, and institutional characteristics of the regions. Industry, investment, small business, the service sector, and employment serve as the primary drivers of regional economic growth, and their interconnection determines the level of economic stability.

It is advisable to use the "institutional environment–economic drivers–social results–integral stability" model proposed within the framework of the study for the differentiation of regional economic policy. At the same time, it is proposed to develop innovative clusters in industrialized regions, expand financial and institutional support in regions with high small-business potential, and improve employment infrastructure in regions where the labor market is uneven. These measures will serve to effectively utilize the internal economic potential of the regions, reduce interregional disparities, and ensure long-term sustainable economic growth.

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