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Problems of Sustainable Development of the Economy of Uzbekistan at the Present Stage

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ABSTRACT

The paper attempts to generalize the main problems of the development of the economy of the Republic of Uzbekistan, for which the author analyzes the most important macroeconomic indicators: the formation and structure of GDP, economic growth, the development of private entrepreneurship, inflation, etc. The purpose of the study is to designate the main directions for solving the most acute problems on the way achieving sustainable development of the national economy.

Keywords:

Economic growth, sustainable development, macroeconomic indicators, small business and private entrepreneurship, banking system, inflation.

Introduction. The Republic of Uzbekistan is one of the leading countries in Central Asia with a developed infrastructure and mining, oil and gas, textile and other industries. In accordance with the nature of the economy and the level of socio-economic development (determined by GDP per capita, the sectoral structure of GDP, the level and quality of life), Uzbekistan is classified as a country with a transition economy. The basis of the national wealth of the republic is natural resources, the total potential of which is estimated at more than 3.3 trillion. USD¹.

Uzbekistan is among the top ten countries in the world in terms of reserves and production of important minerals, such as gold, uranium, natural gas, copper, potassium, phosphates and others. The state balance of the republic takes into account more than two thousand deposits, among them are deposits of

semi-precious raw materials, non-ferrous and ferrous metals, mining raw materials, rare and scattered metals, coal, oil shale, etc. Through the extraction and processing of minerals, the contribution to the economy of Uzbekistan through energy and mineral reserves and resources is about 24% of the national GDP.

Methods. In the course of the study, general scientific methods and methods for processing statistical data were used. The information base was the materials of domestic and foreign research institutions, international organizations. The main study period is from 2017 to 2021.

Results. The most important indicator characterizing the level of economic development is the production of goods, works, services, reflected in the composite

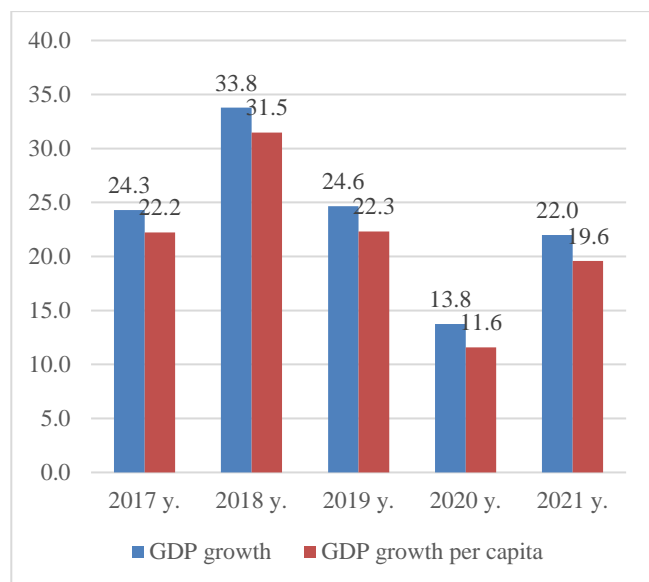
¹ According to the information and analytical site <https://podrobno.uz/>

macroeconomic indicator - GDP. The volume of GDP in Uzbekistan in 2021 exceeded \$69.2 billion, per capita amounted to almost \$2,000, that is, \$500 less than the lower limit of the per capita GDP indicator adopted for developing countries.

In the structure of Uzbekistan's GDP, the gross value added of industries exceeds 90% and tends to grow. In 2021, almost 93% of GDP was formed at the expense of industries, and about 7% - net taxes on products (Fig. 1).

In accordance with the sectoral structure of GDP, the services sector has the largest share, and the shares of the industrial and agricultural sectors of the economy are approximately equally distributed.

During the period under study, there is a slight decrease in the share of agriculture and an



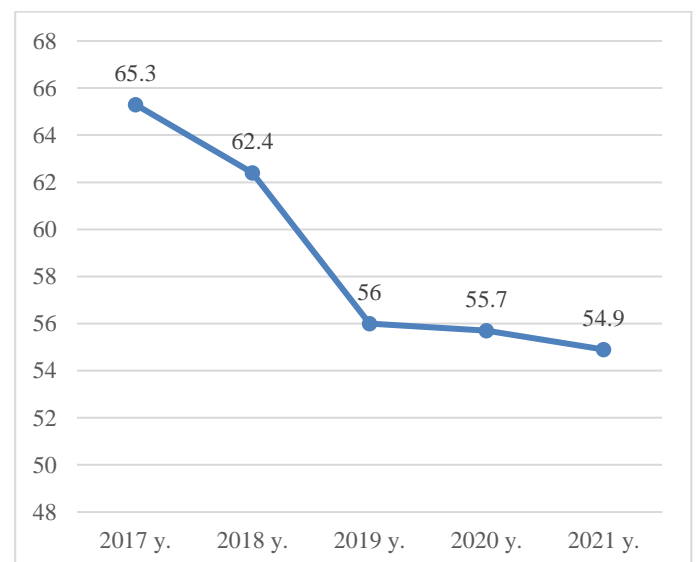
Pic. 1. Growth rates of GDP and GDP per capita Republic of Uzbekistan in 2017-2021, %²

The analysis performed shows that the share of the private sector in the gross domestic product of Uzbekistan tends to decline, in 2021 it barely reaches 55% (Pic. 2)

increase in the share of industrial production in the republic's GDP. The dominance of the service sector brings the country closer to the post-industrial stage of production and to developed countries.

In accordance with the structure of Uzbekistan's GDP, calculated according to the use method, more than ¾ of production goes to consumption, however, there is a noticeable growth trend in accumulative funds.

Since 2019, a significant slowdown in economic growth has been observed in the republic, which is largely due to the consequences of the coronavirus pandemic (2020-2022) and the global energy crisis (2021-2022) (Pic. 1)



Pic. 2. The share of private entrepreneurship in the GDP of Uzbekistan in 2017-2021, %³

The share of small business and private entrepreneurship in industrial production is declining and in 2021 amounted to only 27%, and in construction - more than 72%.

In 2021, the volume of exports of products (works, services) of private entrepreneurship amounted to 3.7 billion US dollars, or 22% of its total volume, the volume of imports of products of small businesses and private entrepreneurship amounted to 12.4 billion US dollars, or almost 50% of its total

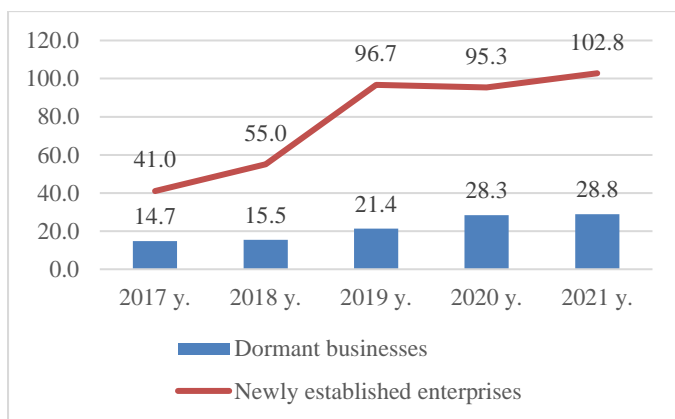
² Compiled by the author according to the State Committee of the Republic of Uzbekistan on statistics <https://stat.uz/>

³ Compiled by the author according to the State Committee of the Republic of Uzbekistan on statistics <https://stat.uz/>

volume. In the structure of Uzbekistan's GDP, there is an advantage in the share of private entrepreneurship in imports over exports, with a slight upward trend in the latter indicator.

In the structure of those employed in small businesses, about 35% are employed in the agricultural sector, in industrial production - almost 15%, in construction - 13%, in trade - 17% and in the service sector - 30%, which indicates a low level of concentration of activities of small enterprises in manufacturing, where the productivity of the jobs created is relatively higher than in other industries.

The analysis showed that during the period under study there was a significant increase in both inactive enterprises and organizations, and newly created ones that come to replace the first (Pic. 3).

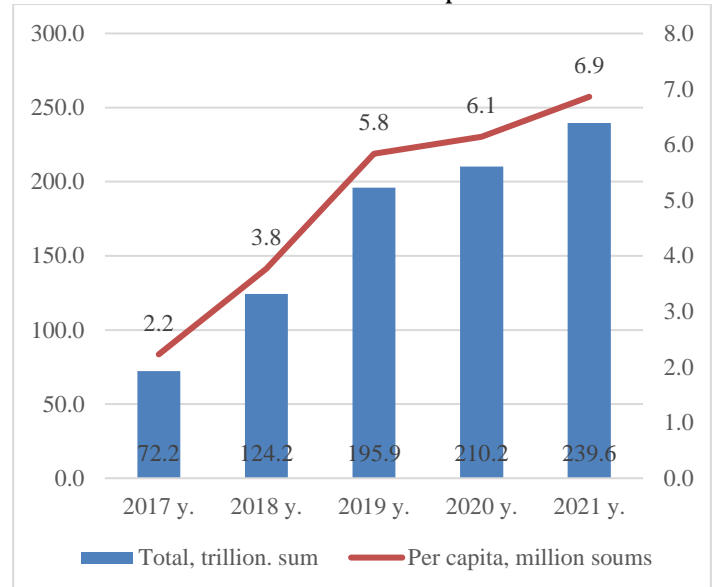


Pic. 3. The number of inactive and newly created enterprises and organizations in Uzbekistan in 2017-2021, thousand units ⁴

According to official data, the largest number of inactive enterprises falls on trade and industry, and their number is constantly growing.

The level of assimilation of investments in fixed capital in Uzbekistan is steadily growing (Pic. 4). Despite the upward trend in the development of investments in fixed assets in the national economy, consideration of their structure allows us to conclude that most of the assimilated investments are directed to machinery and equipment, and only from 0.3

decimille (in 2019) to 1 decimille (in 2021) is directed to research and development.



Pic. 4. Development of investments in fixed assets in Uzbekistan in 2017-2021⁵

To date, the role of the banking sector in the economy of the Republic of Uzbekistan is extremely large and is growing from year to year. For 2021-2022 the indicator of the ratio of credit investments, as well as the ratio of the loan portfolio to the gross domestic product of Uzbekistan, almost doubled. There is a significant increase in the total capital of commercial banks - more than 2.5 times, and the ratio of the total capital of banks to GDP in Uzbekistan has almost doubled. All this confirms the positive trends in the development of the banking sector of the Republic of Uzbekistan, which have been observed in recent years.

In order to ensure macroeconomic and financial stability in the country in March 2022, the Central Bank of Uzbekistan raised the main rate from 16 to 17% per annum, which is designed to limit the economy's access to loans, thereby stabilizing inflationary and devaluation processes, but this measure may lead to slowdown in economic growth in the country.

At present, the banking system of Uzbekistan consists of 33 banks, including 12 state-owned banks, as well as 15 private and 5

⁴ Compiled by the author according to the State Committee of the Republic of Uzbekistan on statistics <https://stat.uz/>

⁵ Compiled by the author according to the State Committee of the Republic of Uzbekistan on statistics <https://stat.uz/>

foreign banks. As of May 1, 2022, bank assets amounted to \$39 billion (419 trillion soums), with state-owned banks accounting for 82%. Bank liabilities reached \$33 billion (352.6 trillion soums), of which 40% are deposits. The total capital of banks is at the level of 6.2 billion dollars (66 trillion soums), of which 81% is the capital of state-owned banks. As for the financial stability of banks, over the past period of this year, the growth of risk-weighted assets amounted to 21% - from 317 to 383 trillion soums, total capital by 14% - up to 66 trillion soums. The capital adequacy ratio decreased by 1.2% - to 17.2%, which meets the minimum requirements.

In some large banks of Uzbekistan, there is a fairly high level of dollarization (about 50%), which not only leads to risks, increasing the dependence of the economy on the national currency and showing the instability of the domestic monetary system, but also puts pressure on capital.

Discussion. The study showed that economic growth in Uzbekistan for the period from 2017 to the present tends to slow down and is extensive, since it does not occur due to the improvement of technologies, the development of science and technology, investments in innovative business. The volume of GDP per capita is less than the lower limit of the per capita GDP indicator adopted for developing countries.

In recent years, entrepreneurship in Uzbekistan has been going through a difficult stage of development. There are many obstacles to its dynamic development. In addition, a rather high level of dollarization of the country's economy is an important problem, which not only leads to risks, increasing the dependence of the economy on the national currency and showing the instability of the domestic monetary system, but also puts pressure on capital.

The coronavirus pandemic has led to a significant increase in the external debt of many countries of the world. Uzbekistan is no exception in this series. Attracted in 2020-2021 external borrowings were directed to the implementation of various projects, the most

ambitious of which are the fight against coronavirus, as well as the modernization and diversification of the agricultural sector. Over the past three years, the public debt of Uzbekistan has tripled, which, in addition to the pandemic, is due to the fact that the republic is currently heading for an open market economy and is trying to reform industries that have been in a state of stagnation for a long time.

The improvement of the legal regulation of business activities, the development of a system of financial, information support, infrastructure and international cooperation will contribute to the elimination of existing problems in Uzbekistan. These activities will contribute to the faster development of private entrepreneurship, which will ultimately have a positive impact on the standard of living of the population and will lead to further growth of the economic potential of the Republic of Uzbekistan. It is necessary to introduce measures to support and stimulate small businesses and private entrepreneurship in industrial production.

In order to improve the efficiency of the public debt management process in Uzbekistan, it is necessary, in our opinion, to keep records by types of borrowings for attracting, repaying and servicing operations, systematize data, bring statistical reporting to the level of world standards and, by calculating generally recognized indicators of public debt, monitor the dynamics volumes and factors influencing it. In addition, the development of the national market for government securities, reducing the cost of servicing public debt and ensuring the fulfillment of state obligations in full is of great importance. These measures will make it possible to increase the effectiveness of the policy pursued by the state and ensure a balance between state revenues and expenditures.

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