



INSTITUTIONAL ENVIRONMENT AS AN IMPORTANT FACTOR OF SUSTAINABLE DEVELOPMENT OF THE ECONOMY AND BUSINESS

¹Kamilova Nargiza Abdukahorovna

¹Associate Professor of the Department of Economic Theory, Ph.D.
Samarkand Institute of Economics and Service
The Republic of Uzbekistan

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.

Keywords: inclusive institutions, economic growth, entrepreneurship, corruption, state apparatus, reforms, market environment.

Introduction. Subjects of small businesses and private entrepreneurship (SBPE) are an integral element of any market system, without which the economy and society as a whole cannot function and develop progressively. 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 SBPE. It is they who give the economy flexibility, mobility, the ability to rapid structural and technical shifts, which is a valuable quality in today's conditions of instability and periodic crises.

Small business and private entrepreneurship play a huge role in the economy of Uzbekistan. Over the past fifteen years, the share of SBPE in the country's gross domestic product has increased from 31,1 to 56,7 percent, or 1,8 times. A third of all industrial and 98 percent of agricultural products are produced in this area today. It employs over 77 percent of the total employed population. The share of income from entrepreneurial activity is 52 percent [1].

Materials and Methods. It should be noted 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 denote relations that develop at the macro level, namely: the general institutional framework, which are constraints for contractual agreements between individuals [2].

Results. 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 current levels of per capita income. Attempts to explain differences in growth rates over short intervals using institutional variables give results that are statistically less significant and less robust [3]. These results are in full agreement with the conclusions drawn from the study 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 constraints in the economy. China and India are recent examples of successful growth that began before major institutional change.

But over a long time interval, 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 resource mobilization, but, as a rule, they are not able to maintain this pace for any length of time.

Modern institutional research does not offer any universal recipes for a large-scale acceleration of institutional reforms. Many issues will always require careful adjustment for the uniqueness of local conditions. Moreover, certain points of institutional reforms, especially the political and 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. Rodrick in relation to the strategy of institutional transformations:

- in most cases, there is no need for universal and all-encompassing institutional reform. The reform strategy should focus on a limited set of key institutional constraints;
- the same goals can be achieved through different institutional solutions. The imports of institutions must be balanced against 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 main social groups [4].

Table 1

The negative impact of some factors on the development of SBPE in the OECD countries and in Uzbekistan, (%)

Factors that have a negative impact on the development of SBPE in OECD countries, (%)		Factors that have a negative impact on the development of SBPE in Uzbekistan, (%)	
Limited credit resources	36,5	Underdeveloped infrastructure	37,2
High inflation	34,6	Limited credit resources	37,0
Political instability	34,4	Regulatory volatility	36,5
Ineffective tax system	33,5	Corruption	34,7
High exchange rate	28,0	High inflation	30,7
Corruption	27,7	Ineffective tax system	28,0
Organized crime	24,5	High exchange rate	25,4
Underdeveloped infrastructure	17,0	Organized crime	21,8
Regulatory volatility	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».

Discussion and Conclusion. If in the first half of the 90s the need to strengthen market institutions was most often considered in a fairly narrow framework, then in recent years institutional factors have been assigned a central role in explaining the successful implementation of market transformation and ensuring sustainable development of SBPE. The effectiveness of various economic policy measures, including privatization, subsidy cuts and the promotion of competition, largely depends on the quality of the institutional environment in which these economic policies are

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

- an index reflecting the level of predictability of the adopted rules;
- political stability index - change of course by the executive branch;
- index of property rights protection;
- index of reliability and predictability of the judicial system;
- corruption control index. [5]

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