Analysis of Factors Affecting Inclusive Growth in Uzbekistan

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Abstract- **In this paper has been analysed of factors affecting inclusive growth in Uzbekistan.**
Keywords: Economic growth, green economy, social stability, GDP, factors affecting economic growth.

1. INTRODUCTION

One of the important characteristics of development in the world is the quantitative and qualitative changes occurring in the socio-economic processes of these countries. Qualitative progress of economic development is important for its inclusive growth. Ensuring the inclusive growth of the economy represents the well-being of the country's population in all aspects. Development of human capital is one of the main factors in the inclusive growth of the economy. According to research, "a 1 percent increase in human capital increases the rate of economic growth by 0.4 percent." In addition, inclusive growth is one of the main tasks for reducing poverty in the countries of the world. In this regard, in modern realities, it should be recognized that this indicator does not form a strategic vision, that is, how much the economy contributes to the socio-economic development of the country and its individual regions, by ensuring the rational use of the results of innovative development, the life of the population demands to solve quality improvement issues.

The development of the world economy in modern conditions is characterized by increasing inequality between countries and within some countries. It is impossible to achieve economic growth in the conditions of uneven development, which, in turn, "inclusive development" implies the reduction of disparities and the equal distribution of income among all groups of the population. In this direction, during the period of economic growth, it is necessary to reflect the processes that provide equal opportunities for economic participants with benefits received by each segment of the society, and the direct transfer of inclusive growth factors to the economy. Scientific researches are being carried out in such directions as assessing the impact of the economy, researching the importance of the uneven distribution of incomes in inclusive development, and using the opportunities of the "green economy" to ensure inclusive growth in the country.

2. ANALYSIS AND RESULTS

The process of researching the system of factors affecting economic growth is one of the most urgent issues of today. Much attention is paid to the study of the qualitative aspects of economic growth in the works of economists such as A. Smith, D. Ricardo, J. Mill, J. Schumpeter. Foreign researchers who have actively studied various theoretical and practical aspects of the quality of economic growth in various developed and developing countries include M. Abramovis, R. Barro, J. Wang, C. Grilixes, M. Daylami, D. Jorgenson, A. Dhareshwar, The scientific researches of V. Easterly, D. Kaufmann, J. Kendrick, R. Levin, R. Lopez, M. Mlachila, R. Ranieri, D. Rodrik are significant.

Issues related to the study of inclusive growth processes are covered in the works of Russian researchers and economists. Among them, A. Levinkov, S. Yu. Glazev, O. A. Kasuk, I. A. Kirshin, I. T. Korogodin, T. D. Romashchenko, Ye. G. Russkov, I. M. Tenyakova, M. N. Uzyakova, K. A. Khubieva, Zarova, E. V.[4], Nabokov, V., Nekrasov, K.,[5] can be singled out.

Economic growth issues in our country were discussed by economists S.V.Chepel, A.K.Bedrinsev, A.V. Vahobov, N.F.Mo'minov, Kholmuminov, S.[1], Umarkhodjaeva, M.[2],n Hakimov, Z.,[3], Burkhanov A.[6,8], Umarova, G., Yusupov, S.[7], Yuldashev, N.[9] and others were studied in scientific works.

3. ANALYSIS AND RESULTS

In the scientific work of the above-mentioned economists, insufficient attention was paid to ensuring the inclusive growth of the economy, improving institutional mechanisms in this regard, and researching the main factors ensuring inclusive growth. In turn, the relevance of inclusive growth in Uzbekistan, the fact that this issue has not been comprehensively researched from a scientific-theoretical and practical point of view served as the basis for choosing the topic of this scientific research.

Inclusive growth includes social stability as well as the efficiency of environmental sustainability factors. Taking

into account the fact that inclusive growth is multifactorial, it is necessary to comprehensively research the resulting aspects of these factors in the cross-section of industries and sectors.

Table 1 Inclusive growth factors

Indicators	Average by country	Uzbekistan	Average by country and ratio of Uzbekistan (times)
Share of research and development expenditure (R&D) in GDP	2,4	0,2	11,8
Human Development Index (HDI 1=themostdeveloped)	0,915	0,701	1,305
Energy efficiency (GDP per unit of energy consumption; US dollars)	11,47	3,57	3,21
State effectiveness (from 0 to +5)	4,2	1,9	2,2
Inclusive growth index	5,1	3,93	1,29
Law enforcement index RoL (from 0 to +5)	4,21	1,37	3,07
Corruption control index (0-100, 100 - no corruption)	79,3	21	3,8

A comparison of indicators of the conditions and factors of inclusive development in Uzbekistan with world criteria (see the table) allows us to conclude as follows: the main factors preventing the transition to an inclusive economy are the underdevelopment of institutions and insufficient funding of science and new technologies in the republic. is considered

In the table reflecting the "growth and development" indicators of inclusive development, the indicators included in this group are expressed in Uzbekistan.

Table 2 Indicators of "growth and development" of inclusive development in the Republic of Uzbekistan

Indicator	The quintile number to which the indicator belongs: from 1 (good) to 5 (bad).	
	Indicator level	Indicator dynamics
Growth and development		
Expected duration of health status	2	3 (stable)
GDP per capita	2	4 (slowly receding)
Labor productivity	2	4 (slowly receding)
Population employment	5	5 (receding)
Inclusivity		
Population income stratification	1	3 (stable)
Median income	2	4 (slowly receding)
Poverty	2	5 (receding)

In low and stable income stratification, their level is not very high (a large share of expenses for food), and the dynamics of growth is insufficient. The composition of monetary incomes, their level and stratification is determined mainly on the basis of wages of wage workers, most of whom are not effectively employed, including in enterprises operating at a loss. Absolute poverty among the population is not very high compared to other developing countries. , but it is growing closer to 6 percent. According to subjective assessments, one out of every six households is classified as poor. Economic stratification is such that the majority of the population, despite their social status, is not active and is only focused on adapting to changing conditions, which leads to conclusions about the existence of incentives for the inclusion of members of society in the economy and inclusive growth. does not allow. The expansion of poverty not only hinders the development of the economy, but also undermines the investment attractiveness of the country.

Summarizing the conclusions on the two indicator blocks, we can conclude as follows: the lack of positive dynamics of indicators on the "growth and development" block, even in the short term, calls into question the existing achievements in terms of "inclusion" It shows the possibility of deterioration of Uzbekistan's relative position in the group of developing countries.

At the stage of formation of the market economy, the methods of direct regulation of income prevail, that is, administrative measures such as income indexation, compensation for certain expenses and transfer payments prevail. The large-scale reforms carried out in our country during the years of independence created the necessary conditions for the decent life of our people and the realization of the creative potential of our citizens. In order to further increase the effectiveness of the ongoing reforms, to increase the employment and real income of the population for the comprehensive and rapid development of the state and society, it is clearly indicated in the Action Strategy for the five priority directions of the development of the Republic of Uzbekistan in 2017-2021. Currently, at a certain stage, the tax policy of the state, which is a mechanism for collecting the funds necessary to fulfill the tasks before the government, that is, indirect methods of regulation, is coming to the fore.

The level and quality of life of the population is an indicator of the result of the economic and social policy, the policy of regulating the income and expenses of the population. To determine the standard of living, the "Consumption basket" is used, that is, a set of goods and services that provide a certain level of consumption. There is a minimum and rational level of consumption. The minimum level of consumption puts the consumer beyond the limits of providing the existing normal conditions, that is, he becomes a category of the poor. The rational level of consumption is the optimal amount and composition of consumption for an individual. In the rational consumption budget, the main part of expenses is allocated to non-food goods: things intended for cultural, household and household purposes, and the minimum consumption budget is allocated to food products necessary for the normal functioning of the human body. The minimum level of consumption determines the "poverty line". The share of the population living below the "poverty line" is one of the most important indicators describing the standard of living in the country. The reduction of this indicator and the fight against poverty is one of the main tasks of social policy. By organizing the redistribution of income from budget to budget recipients, as well as social payments and benefits, the government solves the problem of increasing the income of the poor and helps to alleviate social tensions. Taxation of goods regulates consumption demand, shapes the preferences of individuals, reduces or reduces the consumption of harmful goods and encourages the consumption of goods necessary for a healthy lifestyle, and allocates human resources and productive forces to high-quality reproduces.

It is very difficult to measure the standard of living of the population. It consists of a set of indicators that qualitatively reflect the material, social, physical and cultural well-being of the population. This indicator refers to working conditions and safety, environmental condition, availability and use of free time, cultural level, physical development, physical and property safety of citizens. As society develops, these characteristics change. One of the most important indicators of economic development, which represents the well-being of the population and the provision of human well-being in society, is the "Index of Human Potential Development". The United Nations (UN) measures the quality of life of a population by taking into account health, life expectancy, education, employment and solvency, as well as access to political life. proposed a quality of life index for It is difficult to use the quality of life index for cross-country comparisons, so in 1990 another indicator was first calculated by the Pakistani economist Mahbub ul Haq - the Human Development Index (ISRI). will be prepared and published in the report on human development. this indicator is measured by three indicators: life expectancy; level of education; real GDP per capita.

The quality of life depends on human capital, that is, the knowledge, skills, experience and health that he uses for personal income. The concept of human capital plays a central role in modern economic analysis. The concepts of human potential and human capital began to be used intensively by world science aimed at increasing the necessity

and high efficiency of investments in human capital, highly evaluating the role of intellectual activity in the information society. The competitive advantages of the economy and the possibilities of its modernization are largely determined by the accumulated and implemented human capital. Limits and possibilities of technological, economic and social modernization of society are determined by people with knowledge, skills and experience. Economic analysis of human capital is widely used at the microeconomic and macroeconomic levels to determine the extent of national wealth, society against war, disease and natural disasters, loss in life insurance, education, health and many other purposes. lanned.

The material and spiritual life opportunities of every person depend on the level of his income. The higher the level of a person's income, the more opportunities he has to meet his basic needs, take care of his health, organize rest, get information and spend his free time in a cultural way. One of the main principles of market relations is strong social protection of the population of the republic. It is a vital necessity to ensure the priority of human interests even at the stage of development in the conditions of a socially oriented market economy. At the heart of the main priority of Uzbekistan's model of renewal and development are human interests, and strong social policy occupies a central place.

The standard of living of the population can be reasonably discussed depending on whether the households belong to one or another socio-demographic type, the age of the members, the ratio between workers and dependents, and per capita income.

Determining the criteria for fair and efficient distribution of resources is one of the most important aspects of the economy. State policy affects the current economic conditions, characterized by a certain distribution of resources, which is consistent with the effective distribution of funds, increasing welfare and increasing the fairness of the distribution of the results of economic development. The society's value system forms its fair ideal. Welfare economics is considered a part of normative economic science, which takes into account the distribution determined by the moral norms existing in society, so the choice between efficiency and justice can be different. Reaching an agreement between these categories leads to the violation of certain rights and its expression in ensuring inequality and welfare of the population.

The level of social welfare depends on how and how well benefits are distributed in society, therefore, social welfare is based on the well-being of individuals:

$$W = (W_1, W_2, \ldots, W_i, \ldots, W_n), 1 \leq i \leq n$$, here W_i – i inchi the well-being of an individual, the number of p-community members. Each person can evaluate his well-being in the best way and try to maximize it. Summing up the simple function Ui of individual utility, we can get the utility function of society:

$$U = U_1 + U_2 + \ldots + U_i + \ldots + U_n .$$

A person's preferences affect his consumption, as long as the benefits of all other members of society do not decrease, the well-being of a person increases. If all the above conditions are observed, we get a Pareto-efficient state of the economy.

Based on the comparison of social welfare vectors according to Pareto's criterion, the distribution is effective because it is impossible to improve the position of some individuals without worsening the position of others.

However, the Pareto performance criterion does not affect social inequality and is only related to individual well-being. If the welfare of some members of the society is increasing, while that of others is decreasing, then the changes in social welfare will be uncertain. According to the principle of Kaldor-Hick compensation, there is a redistribution in which the gains of the better-off person can offset the loss of the worse-off person, i.e., the loss in the first place. The Kaldor-Hicks criteria for Pareto efficiency improvement do not actually imply compensation. Redistribution increases the overall well-being of society if the winners can make up for the failure of the worse-off losers.

In 1874, L. Walras created a mathematical model of the general economic equilibrium, the exact number of types of consumer goods and types of resources in the economy are its main conditions. Every firm and every consumer maximizes their profits under perfect competition. The static nature of the Walras model, lack of analysis of changes in consumer tastes and economic cycles are the main shortcomings that require further improvement of this model.

In 1932, Fisher, a supporter of neoclassicism, assumed that individuals make decisions based on current income combined with expected income. Analyzing the two periods, the economist assumes that households will eventually spend all the income. Current savings of households S is the part of the income of the first period remaining from current consumption, which is as follows: S ☐☐Y1 ☐☐C1 , here Y1 ☐ income in the first period; C1 - consumption of the first period.

Then the consumption of the second period will be as follows:

$C_2 = Y_2 + (1 - r)S$ will be here Y_2- is the income received in the second period. Households can not only save, but also pay off debts. Thus, according to I. Fisher's model of temporary substitution, the demand function of

households depends on current savings (+) and real interest rate (-), depending on the current income and consumption of households and their lenders ($C > Y$) and debtors $C > Y$ can be separated.

According to Keynes, the psychological law applies in the economy. That is, when incomes are low, people have a strong tendency to consume. As incomes increase, people tend to save rather than consume more.

J. Keynes studied the need for centralized control of the population's income by the state in his work "Employment, Interest Rate and General Theory of Money" (1936). The government affects the marginal propensity to consume through the tax system, interest rate, and capital investments. Savings does not always invest in production, which leads to the equilibrium of the economy. To restore balance at the macro level, it is necessary to increase the demand necessary to ensure the employment and utilization of production capacity. Redistribution of income with high consumption income of the population effectively stabilizes the economy. "When employment increases, aggregate real income increases. The psychology of society is that an increase in aggregate real income leads to an increase in aggregate consumption...". "A basic psychological law states that people will increase their consumption as income increases, but not as much as income increases."

According to Keynes, the consumption function is as follows:

$$C = C_a + C_Y Y, \ \ 0 < C_a < 1,$$

where Y is income, C is consumption, Ca is autonomous consumption, and it is the consumption necessary for a person to live, which does not depend on the value of income; C_Y is the marginal propensity to consume, which reflects the additional income that can be spent on consumption. M. Friedman, the founder of monetarism, is the author of the constant income theory developed in 1957, and he mentioned that in most cases, household incomes face significant changes from period to period, but consumer spending is relatively stable. In this case, consumer spending is not related to current household income, but to the average income, which is considered normal and constant (permanent) for several periods.

Climate change continues to be one of the important elements of inclusive growth, hundreds of billions of dollars and euros are spent on energy conservation in the world, and new technologies are created in any case. Already, tens of billions of Euros have been channeled into a low-carbon economy (increasing energy efficiency and reducing environmental impact), not only as part of the fight against climate change, but also as part of the transition to a new economy. And this encourages attention to the interdependence of 2 factors: climate and crisis.

Table 3 Carbon intensity of countries (kg of CO2 emissions / GDP calculated on the basis of purchasing power parity)

Number	Country	Carbon intensity
1.	Great Britain	0.3
2.	Germany	0,4
3.	Canada	0,6
4.	Norway	0,3
5.	France	0,2
6.	USA	0,6
7.	Finland	0,5
8.	Sweden	0,2
9.	Japan	0,4
10.	European Union	0.3

11.	Russia	1.2
12	Uzbekistan	19

As a result of the analysis, it was found that (- table). Uzbekistan has a very high carbon intensity of 19.26, which is 0.5 on average in developed countries.

The formula for determining carbon intensity in Uzbekistan

$$UI= IM/M = \qquad 853500kg/443,2/100= \qquad 19,26$$

UI – Carbon intensity of countries,
IM - Pollutants released into the atmosphere
M - gross domestic product calculated on the basis of purchasing power parity.

This means that Uzbekistan has a high rate of economic development at the expense of air pollution. It is called "Grey economy" in the sources of foreign scientists.

The European Union plans to reduce CO2 emissions by 20%, increase energy efficiency by 20% and increase the share of renewable energy sources to 20% by 2022. The United States government intends to reduce greenhouse gas emissions by 50% by 2050 and 80% by 2080.

Air pollution kills an estimated 7 million people every year and can cause long-term health problems such as asthma and reduced mental development in children. According to the data of the World Bank, air pollution damages the society by 5 trillion dollars every year.

The World Bank has announced the human capital index of the countries of the world for 2020. For the first time, this ranking, which includes 174 countries where 98% of the world's population lives, includes information on healthcare and education in Uzbekistan. This data covers the period up to March 2020 and serves as a key indicator of children's health and education before the pandemic.
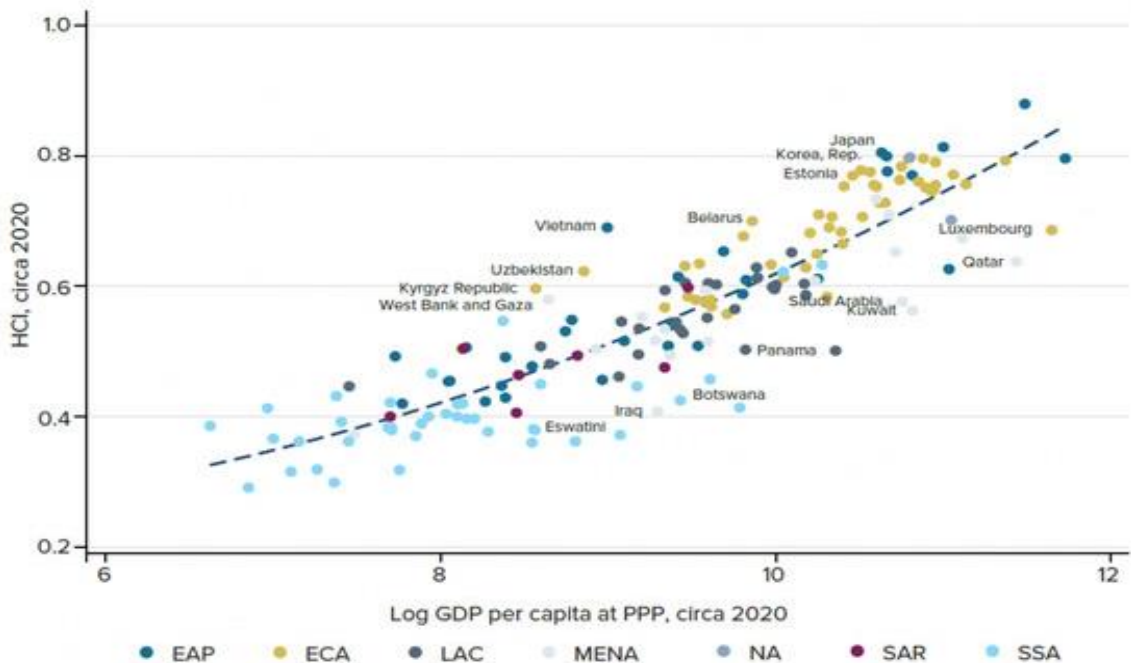

Figure 1. Human capital index in 2020

It is noted that the human capital index measures the extent to which a child will become an effective worker in the future. The value of the index is in the range from 0 to 1, and the value approaching 1 shows how mature today's children will be in the future. The COVID-19 pandemic is threatening the gains made in health and

education over the past decade, according to a new analysis by the World Bank Group. This can have a particularly strong impact on the poorest countries. Analyzes show that before the pandemic, most countries achieved stable growth in the formation of human capital in children. This indicator has the highest result in low-income countries.
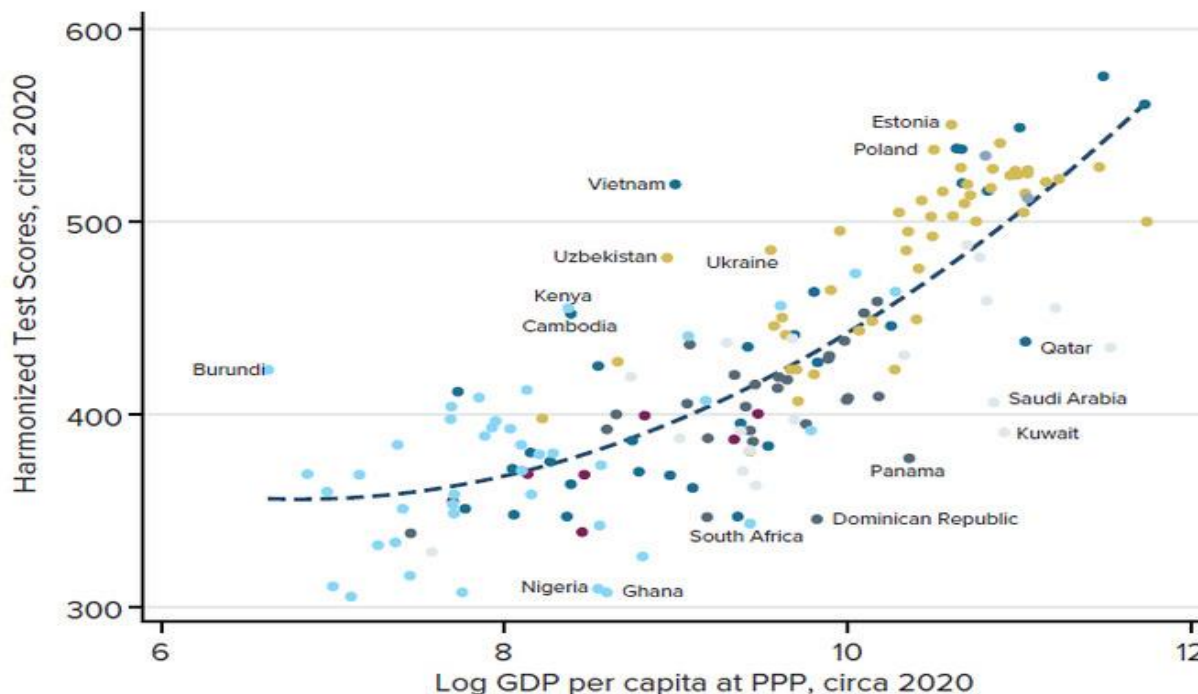

Figure 2. Human capital index in 2020

However, despite this progress, and before the impact of the pandemic began to be felt, a child born in a normal country could hope to achieve only 56 percent of the potential level of human capital, given full education and health care. Due to the pandemic, the majority of children (more than 1 billion) are out of school, and the loss of an average of six months of education is a significant economic loss. Uzbekistan, which participated in these studies for the first time, showed a result of 62 percent. That is, Uzbekistan ranks second among the CIS countries after Belarus (70%), Russia (68%) and Kazakhstan (63%).

At the level of Central Asian countries, except for Kazakhstan and Uzbekistan, Kyrgyzstan showed 60% and Tajikistan 50%. Until 2020, Uzbekistan's data was not published in the "Human Capital Index" rating. That is, only health and economic indicators were presented by Uzbekistan, and this was accepted by the World Bank. However, until 2017, the information provided on the quality of education (assessment of the knowledge of students) was not accepted due to the fact that the monitoring work carried out to determine the knowledge of schoolchildren in the country did not meet international standards. "In order to provide reliable information on the quality of education in our country, in November 2019, the Education Inspectorate, in cooperation with the World Bank, studied the knowledge of schoolchildren in mathematics based on the questions of TIMSS international studies. The results recorded by schoolchildren in these tests served as important information for determining human capital in our country.

Within the Human Capital Index of the World Bank, the child's development trajectory (from birth to adulthood) is evaluated according to a number of important indicators:

probability of survival (from birth to 5 years);
the length of study aimed at the expected quality of education in primary and secondary school;
percentage of children with developmental delays;
the viability of the older generation.

4. CONCLUSIONS

To raise Uzbekistan to the ranks of developed countries, great power and great potential are needed, and this potential is manifested in the human capital of our nation and improves the quality of life.

1. Inclusive economic growth ensures sustainable and long-term improvement in the lives of all segments of the population, which stimulates rapid growth of GDP. Currently, the concept of inclusive economic development is being actively discussed by many experts.

2. The objects of management in an inclusive economy are not only the above results, but also the process itself, the creation of opportunities for obtaining these results: that is, people should contribute to economic growth and use its benefits in a broad sense.

3. The index of inclusive development, as a generally accepted new system for assessing the level of socio-economic development of the country, is superior to others in terms of information content. In the future, it may take the place of one of the main indicators used in planning the socio-economic development of society. Adoption of a new system for assessing economic development by the world community will help to correct the domestic policy of a number of countries, which will help international economic integration and the development of the methodological base of national and international statistical bodies.

4. The experience of many countries shows that policies are more successful in achieving their goals when they are adapted to local conditions, taking into account the socio-political situation, historical heritage, cultural traditions, geographical location, etc. In addition, reforms and policies work best when they are supported by the public, but there is no single universal policy model that provides the best solution in all cases.

5. There are two approaches to ensuring inclusive growth. The first approach is based on the outcome of growth: inclusive growth is sustainable economic growth, the main goal of which is to reduce poverty and inequality.

6. The second approach is based on inclusive development, and inclusive growth is determined by expanding the process of employment. For example: according to the experts of the United Nations Development Program, inclusive growth should provide people with equal opportunities to realize their human potential, regardless of their ethnic origin, place of residence, gender, socio-economic conditions.

7. In a broad sense, the main results of inclusive growth are important criteria for the development of society: prosperity, justice and the expansion of human opportunities and its active participation in production and distribution of benefits.

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