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THE IMPORTANCE OF THE INSTITUTIONAL ENVIRONMENT IN THE SOCIO-ECONOMIC DEVELOPMENT OF REGIONS

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Abstract: This article examines the role of institutions and the institutional environment in the socio-economic development of regions and systematizes the main influencing factors. In addition, the key aspects of regional development are analyzed on the basis of statistical data, and relevant conclusions and practical recommendations are proposed.

Keywords: institution, economic efficiency, institutional environment, institutional norm, transformation, employment, business environment.

INTRODUCTION

Creating an effective institutional environment is essential for promoting innovative socio-economic development and strengthening the competitiveness of regions. All states and societies operate within a framework of formal and informal institutions and rules. As social and economic conditions evolve, existing institutions and regulations may become outdated, making it necessary to improve them or introduce new ones. In this context, analyzing the interactions among institutional systems and assessing their economic efficiency are crucial for enhancing the institutional environment and ensuring sustainable regional development.

LITERATURE REVIEW

The study of the institutional foundations of the socio-economic development of regions, the clarification of the main concepts in this field, and the assessment of the impact of institutions on regional development have beyen reflected in the scientific research of numerous foreign and domestic scholars. In particular, T. Veblen, J. Commons, K. Menard, D. North, D. Rodrik, A. Granberg, R. Nureyev, O. Sukharev, A. M. Sadikov, Sh. Kh. Nazarov, T. M. Axmedov, O. O. Olimjonov, and other scholars have made significant contributions to this field of research.

RESEARCH METHODOLOGY

The study employs dialectical methods, analysis and synthesis, induction and deduction, economic analysis, scientific abstraction, statistical analysis, and generalization methods.

ANALYSIS AND RESULTS

At present, improving the institutional environment has become an important priority in our country in order to effectively address the socio-economic problems of the regions, enhance the competitiveness of enterprises and organizations, and expand opportunities for the efficient use of available resources. The institutional environment is considered one of the key factors of state and social development. Therefore, every country striving for sustainable development pays special attention to improving the functioning of institutions and increasing their effectiveness. In Uzbekistan, the implementation of these tasks has also been identified as one of the priority areas of public policy.

In particular, Presidential Resolution No. PQ-49 of the Republic of Uzbekistan, dated February 5, 2026, entitled “On Measures to Increase Household Incomes, Create Sustainable Employment Opportunities, and Reduce Poverty through the Development of Regions Based on New Approaches in 2026,” defines the strengthening of regional specialization, the creation of a favorable business environment, the expansion of formal employment, and the improvement of institutional mechanisms

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aimed at poverty reduction as priority objectives [1]. This demonstrates the growing importance of the institutional environment in the socio-economic development of regions.

The concept of an "institution" (derived from the Latin word institutum, meaning "establishment" or "foundation") is regarded as an important element of the social structure. It represents a historically formed system of rules, norms, and mechanisms aimed at organizing and regulating social life by governing interactions among individuals[2].

Institutions constitute a set of rules that govern various aspects of social life, and these rules should correspond to the development of production relations within society. Since these relations are dynamic and continuously evolving, the state's governance concept must also possess a progressive and continuously developing character[3].

Institutional changes help mitigate certain contradictions within society, create opportunities for resolving conflicts among economic agents through compromise, and enhance the effectiveness of the new mechanisms employed by the government in the implementation of macroeconomic policy[4].

In our view, the institutional environment can be defined as a set of formal and informal institutions, together with the norms, rules, and mechanisms that regulate their functioning in various spheres of social and state life. This environment directly influences the formation and development of economic, social, and legal relations and creates the necessary conditions for the sustainable development of regions.

International experience shows that institutional changes, particularly the improvement of existing rules and regulations, have a significant impact on the living standards of society. However, the outcomes of these changes have not beyen uniform across different countries. Although economic growth has beyen achieved in some cases, this process has not always directly contributed to improving public welfare or accelerating the resolution of existing social problems. This can be observed in the experience of several developing countries. For instance, the economic growth recorded in the Republic of Turkiye during the 1980s and in the People's Republic of China and the Russian Federation during the 1990s led to an increase in income inequality[5].

The solutions to this problem have been widely discussed in the scientific works of many scholars. In particular, the Belarusian scholar Simon Kuznets defined economic growth as "the expansion of a country's capacity to continuously satisfy the diverse needs of the population over the long term" [6]. This approach demonstrates the close relationship between economic development and institutional factors. In our view, changes in the institutional environment can produce the expected results only when they are accompanied by improvements in the technical and technological capacities of production enterprises.

In our view, changes in the institutional environment constitute a continuous and ongoing process. The main reason for this is that the material and spiritual needs of society constantly evolve and are renewed over time. Meeting these needs requires the introduction of new institutions and institutional norms or the continuous improvement of existing ones.

At the same time, the establishment and implementation of new institutions or institutional norms cannot be accomplished within a short period. Despite their apparent attractiveness, the introduction of certain institutions may not always produce the expected outcomes. In some cases, such institutions may hinder national development and disrupt the existing institutional balance.

Therefore, it is advisable to adhere to the principle of implementing reforms gradually, introducing institutions and institutional norms that have proven to be effective in practice, and continuously improving them in accordance with changing conditions (See figure 1.).

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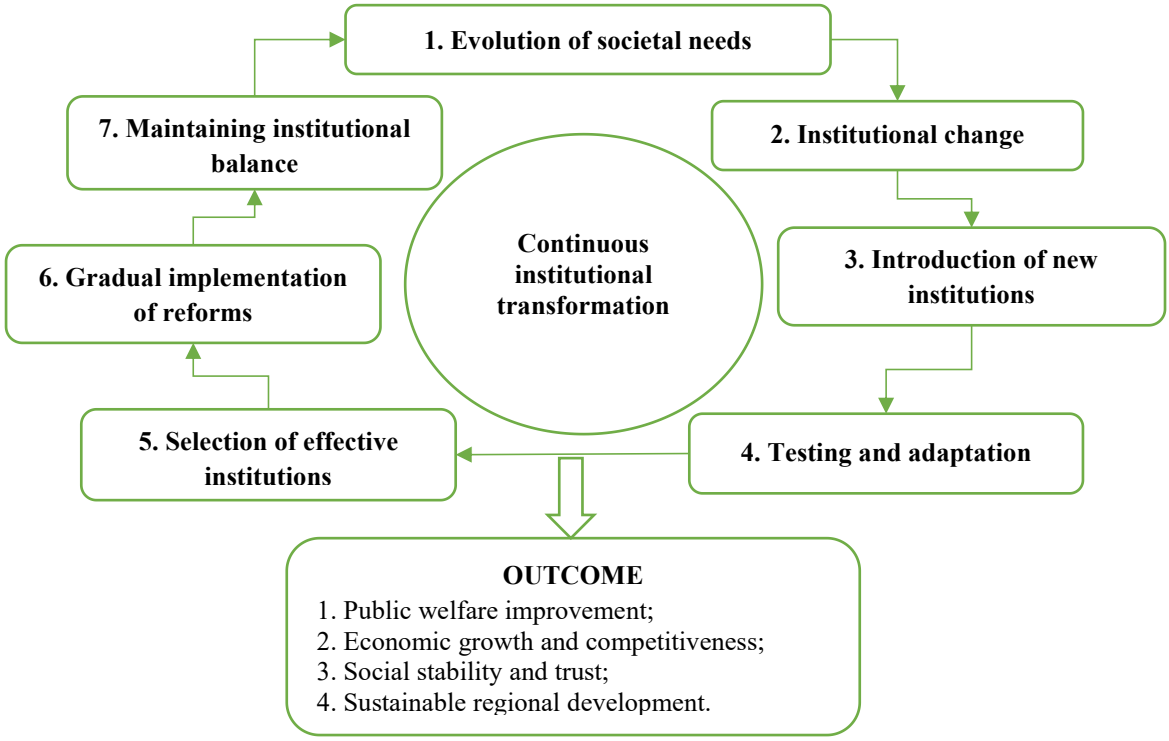


Figure 1. Conceptual model of institutional environment transformation.
Source: Author's compilation based on the analysis results.

Comprehensive efforts are also being undertaken in our country to consistently improve institutions and the institutional environment. In particular, the reforms implemented in recent years have strengthened the political, legal, socio-economic, and educational foundations for building and developing the New Uzbekistan. These transformations are currently making a positive contribution to maintaining sustainable economic growth. According to statistical data, the population of Uzbekistan increased by 9.5 million people in 2025 compared with 2010, while the country's gross domestic product (GDP) increased by nearly twenty-one times during the same period. GDP per capita also rose by 15.8 times[7].

Research findings confirm that institutions and institutional norms associated with the state, society, and entrepreneurial activity have a significant impact on GDP growth. In particular, their contribution is estimated to range from 4.5% to 9% over a ten-year period. This demonstrates the substantial role played by institutions in ensuring economic development.

At the same time, the decrees and resolutions adopted in recent years have been aimed at accelerating the socio-economic development of regions, creating a modern institutional environment, improving governance systems, ensuring the efficient use of available resources, and maintaining stable rates of economic growth. These measures have contributed to an increase in GDP, higher employment rates, and improvements in public welfare.

In conclusion, ensuring sustainable economic development, improving the efficiency of state-owned enterprises, and maintaining stable economic growth require the continuous improvement of existing institutions and the introduction of new institutions whenever necessary. The effective implementation of institutional changes contributes to increasing the efficiency of socio-economic reforms, making better use of regional potential, and improving the living standards and incomes of the population.

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