

# The Importance of Industrial Development in The Regions and The Main Directions for Their Effective Use

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**Abstract:** This article highlights the economic trends and factors influencing the development of industry in the Andijan region of the Republic of Uzbekistan, based on the significance of industrial production and regional specialization. The development of the region has been studied and analyzed through the lens of its industrial sectors. Development directions have been proposed based on the region's revenues.

**Keywords:** Regional industry, industrial production, regional industrial specialization, internal capabilities and opportunities.

**Introduction:** Since the early years of independence, Uzbekistan has pursued a targeted territorial policy and implemented profound institutional reforms. Currently, comprehensive regional development measures are being undertaken, with targeted regional programs in progress.

As a logical continuation of these territorial reforms, in January 2017, the Cabinet of Ministers of the Republic of Uzbekistan adopted a Resolution "On the approval of the regulation on the information-analytical department for the comprehensive socio-economic development of territories." Furthermore, in February 2017, Presidential Decree No. PF-4947 introduced the "Action Strategy for Five Priority Areas of Development in 2017–2021" [1], and Decree No. PF-60 dated January 28, 2022, launched the "New Development Strategy of Uzbekistan for 2022–2026" [1].

The third direction of this strategy defines several priority tasks, such as sustainable regional industrial development, construction of new industrial enterprises, enhancing the regional economy through increased export and industrial potential, and creating favorable conditions for the establishment of industries. These tasks aim to fully realize the economic interests of regional economic entities, optimize production, strengthen intra- and inter-sectoral cooperation, expand localization processes, and effectively utilize this sector's potential to remain

competitive in the market. Important focus areas include increasing local production, developing interregional industrial cooperation, boosting employment by leveraging internal regional resources, and improving material well-being based on this foundation. These are becoming increasingly significant in regional economic policy.

Decree No. PF-60 of January 28, 2022, outlines objectives from 21 to 36 under the third direction of the New Development Strategy of Uzbekistan for 2022–2026 titled "**Ensuring Accelerated Development and High Growth Rates of the National Economy.**" The strategy sets the following goals for industry:

- **Goal 22:** Increase industrial production volume by 1.4 times, continue industrial policies aimed at stabilizing the national economy and increasing the industry's share in gross domestic product.
- **Goal 24:** Ensure uninterrupted electricity supply to the economy and actively implement "green economy" technologies in all sectors, improving the energy efficiency of the economy by 20%.
- **Goal 28:** Increase the export potential of the Republic and reach an export volume of 30 billion USD by 2026.
- **Goal 29:** Create conditions for organizing entrepreneurial activity and establishing stable income sources, increasing the private sector's share in gross

domestic product to 80% and in exports to 60%.

Today, the industrial sector offers effective solutions to challenges such as ensuring market balance, increasing economic competitiveness and population income, localizing production, and generating employment. Notably, creating one job in manufacturing leads to the creation of two to three jobs in other sectors [3].

The dynamism of the production network significantly influences the development of other industries and sectors of the economy. In particular, the development

of the food and light industry sectors stimulates the growth of agriculture, forestry, and fisheries [6].

Assessing the development of industry and its sectors in regions is a complex economic process and cannot be measured by a single indicator. Therefore, it is appropriate to consider various development trends when evaluating regional industrial progress. This system of indicators is reflected in the table below (see Table 1).

**Table 1**

**System of indicators characterizing the level of industrial development in the region [6].**

| Indicators  |  |                                |                           |
|---|--|--------------------------------|---------------------------|
| 1st Order   | 2nd Order  | 3rd Order                      | 4th Order                 |
| Economic indicators   |  |                                |                           |
| Industrial output per capita                                  | Industrial production index                      | Real Sector Development Index  | Economic activity index   |
| Export volume per capita                                      | Export index                                     |                                |                           |
| Labor productivity in industry                                | Labor productivity index                         |                                |                           |
| Employment in industry (thousand people)                      | Employment network index                         |                                |                           |
| Technological Indicators                                      |  |                                |                           |
| Capital productivity  | Capital Productivity Index                       |                                | Technological Level Index |
| Capital intensity of industrial production                    | Incremental Capital Output Ratio                 |                                |                           |
| Number of patents obtained from networks (per 100,000 people) |  |                                |                           |
| Object indicators   |  |                                |                           |
| Number of facilities in the network                           | Employment level                                 | Production function            | TFP                       |
| Value of fixed production assets                              | Capital intensity and profitability              |                                |                           |
| Investment in fixed capital                                   |  |                                |                           |
| Natural and raw material resources                            | Employment level                                 |                                |                           |
| Project indicators  |  |                                |                           |
| Number of high-tech production creation projects              | Share of high-tech products in industrial output | Integral diversification index | Economic openness index   |
| Number of high-tech   | Share of high-tech                               |                                |                           |

|  |  |  |                                     |
|--|--|--|-------------------------------------|
| manufacturing projects   | products in industrial output  |  | Integral export expansion indicator |
| Participation of domestic business entities in large investment projects | Region's participation ratio in large investment projects            |  |                                     |
| Number of localization projects  | Localization ratio   |  |                                     |
| Number of export expansion projects                                      | Share of products intended for new export in total industrial output |  |                                     |
| Share of exports in GDP  | Export orientation ratio of the economy                              |  |                                     |
| Share of foreign direct investment in total investment volume            | Foreign investment participation ratio                               |  |                                     |
| Number of operating enterprises with foreign capital participation       |  |  |                                     |

Based on the above-mentioned factors, it can be stated that each region will have its own production potential. Accordingly, the level of industrial production in one region may exceed or lag behind that of another.

The main objectives of regional socio-economic development programs include: the rational use of untapped reserves and opportunities of the regions, as well as the available rich raw material and resource base; ensuring the development of production in close connection with regional capacities; utilizing existing industrial enterprises to their full potential; organizing production in existing buildings and facilities; diversifying production and promoting deep processing of raw materials; manufacturing high-tech products with high added value; and creating new jobs. Through the implementation of such programs, the population is targeted towards addressing key issues such as increasing employment levels [5].

In the development of these programs, special attention is paid to the following areas [4]:

- For the comprehensive development of regions – an analysis of conditions in the medium term, assessment of their impact, identification of existing principles and challenges;
- A system of target indicators developed using modern methods of socio-economic forecasting, linking target indicators with key developmental programs being implemented or under development;
- The development of concrete measures to achieve the set goals, taking into account specific

funding sources.

The regional socio-economic development programs envisage a fundamental improvement of the regional organization of industrial production based on:

- The exploration of new deposits and the expansion of the mineral resource base, the introduction of modern, energy-saving, and highly efficient technologies for the extraction and processing of mineral raw materials in strategically important industries – such as the oil and gas complex and the mining industry – ensuring sustainable development through these efforts;
- The expansion of export-oriented production based on the competitive advantages of each region, and the establishment of new production facilities in the construction materials sector that meet international quality standards;
- The rapid development of processing industries in the textile sector based on local agricultural raw materials, primarily increasing the volume of cotton fiber processing in domestic enterprises;
- The broad development and regional placement of small and micro enterprises, as well as branches of large enterprises focused on processing local raw materials and producing competitive finished products [7].

Regional development programs prioritize the advancement of industrial enterprises in all cities and

districts of each region. Through the rational coordination of sectoral development programs and the implementation of specific investment projects, structural transformations related to the placement of industrial enterprises are expected to be achieved [6].

In Andijan region, between 2022 and 2026, the gross regional product and industrial output are projected to increase by 1.4 times, agricultural production by 1.2 times, service sector volume by 3.0 times, and construction activities by 1.4 times. Target indicator parameters have been developed for each district.

In collaboration with the Ministry of Economy and Finance, the Ministry of Investments and Foreign Trade, and the Government of Andijan region:

- Specific target measures have been developed to achieve the parameters of the approved 2022 target indicators;
- By November 1 of each year, comprehensive measures aimed at achieving the target parameters for upcoming years and implementing the “road map” are to be submitted for approval to the Cabinet of Ministers [5].

During the 2022–2026 period, the following tasks were assigned to local authorities to ensure the effective implementation of the developed programs:

- Regularly study the challenges that hinder the implementation of the projects included in the programs and take timely measures to eliminate them, resolve any issues arising during implementation and operation, and remove bureaucratic obstacles;
- Effectively organize the process of obtaining reliable information on vacant or inefficiently used buildings and structures in the region and promptly provide it to business entities;
- Pay special attention to the process of connecting ongoing projects in the region to power, gas, water, sewage, and heating systems, applying best practices in this field;
- Identify the specific characteristics of each region and mobilize all available opportunities based on these features to create a more favorable environment for project initiators to develop new projects for the upcoming year;
- Determine opportunities for the development of ongoing projects, especially in neighborhoods, and define paths for their implementation, recommending exemplary project structures and supporting them;
- Focus on improving the composition of projects included in the programs by types of activity, particularly on establishing modern production networks based on high technologies in the industrial

sector;

- Address the tasks of expanding participation in foreign economic activity by providing concrete and effective support to projects that have begun producing export-oriented products;
- Mobilize all possibilities to increase the production of high value-added products through the effective use and thorough processing of existing raw materials when forming new projects for the next year;
- Establish at least three processing enterprises for raw materials in districts with a rich base of meat, dairy, and fruit-vegetable resources but lacking a single enterprise for their processing;
- In determining the strategic direction of industrial policy in the regions, focus first on eliminating industries in technically and technologically underdeveloped regions, and secondly, on equipping enterprises with modern, cutting-edge technological advancements.

In 2022, a comprehensive set of measures will be implemented to develop the engineering, communication, production, and service infrastructure, as well as to construct, reconstruct, and repair social facilities in the Andijan region [5].

As part of this decision, the Ministry of Economy and Finance plans to allocate funds from the republican budget.

The financing of projects implemented through the local budget of the Andijan regional administration is expected to be carried out within the specified time frame.

## CONCLUSION

In conclusion, for ensuring regional stability and economic growth, achieving deep structural transformations in the regions, and reaching the forecasted regional targets, it is possible to effectively utilize the industrial potential of the regions and achieve the set goals more rapidly. However, this can be fully realized only if the above-mentioned measures are implemented comprehensively.

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