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## **ENSURING THE ECONOMIC GROWTH OF THE COUNTRY**

**Abstract:** Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Both cross-country research and country case studies provide overwhelming evidence that rapid and sustained growth is critical to making faster progress towards the Millennium Development Goals [1].

**Key words:** Growth, technologies, world, opportunities, sustainable, improve, government

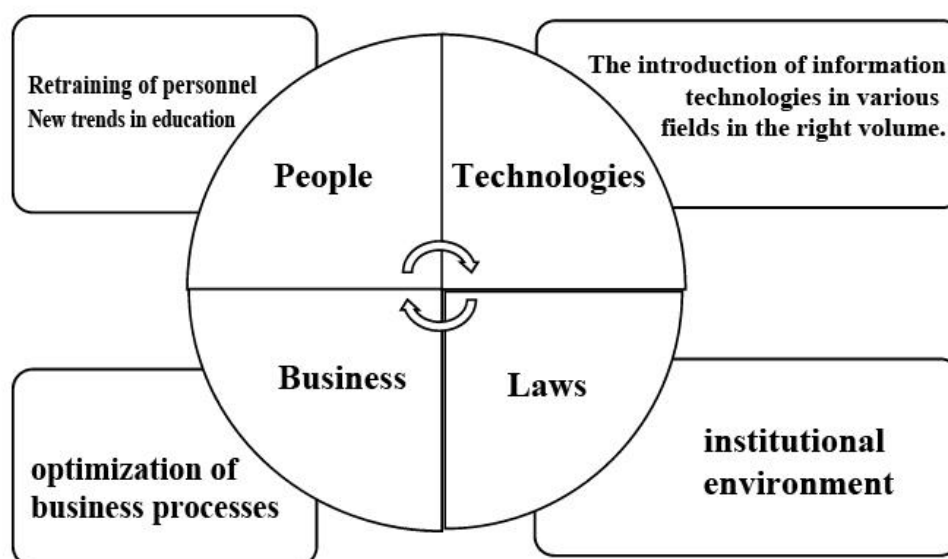
## **INTRODUCTION**

Future growth will need to be based on an increasingly globalized world that offers new opportunities but also new challenges. New technologies offer not only ‘catch-up’ potential but also ‘leapfrogging’ possibilities. New science offers better prospects across both productive and service sectors. Future growth will also need to be environmentally sustainable. Improved management of water and other natural resources is required, together with movement towards low carbon technologies by both developed and developing countries. With the proper institutions, growth and environmental sustainability may be seen as complements, not substitutes [2]. Economic growth is the increase in the production of goods and services over a period of time and is dependent on the four factors of production. Land is defined as agricultural land, commercial real estate, and natural resources, such as oil, gas, and other commodities. Labor is made up of the individuals who are responsible for the development of goods and services. Capital goods, such as tools, equipment, and machinery, are part of the capital category. The final factor of production is

entrepreneurship, which includes the visionaries and innovators who are behind the production process [3].

## MATERIAL AND METHODS

Technological progress and the development of new knowledge are important drivers of economic growth, and is a key factor in ensuring that the shift to environmentally sustainable growth happens at least cost to the economy. New knowledge is generated by R&D – which could be funded publicly (when some of the benefits accrue to society in general) or privately (where the benefits are largely private and on which the researchers can make a profit) [4] [The Economic Impacts of Environmental Policy].



**Figure 1** Areas of economic transformation [5]

Government policy, and specifically environmental policy, has an important role in incentivizing technological progress and innovation. Policies aimed at ensuring that environmental inputs are priced correctly are likely to spur businesses to innovate in order to reduce costs. For example, Reid and Miedzinski (2008) find that government policy is a major driver of green innovation. Specifically, government policy can encourage environmental innovation through ‘demand-pull’

policies, such as regulations or public procurement that increase demand for innovation, and ‘supply-push’ policies such as subsidies and tax breaks for research [6] [Frontier Economics]. In addition, a consistent and coherent environmental policy can provide greater certainty about the value of investments and incentivise environmental R&D further towards the socially optimal level. Porter and van der Linde (1995) find evidence to this effect, as well as the effect of environmental regulation in reducing inertia and raising awareness amongst firms of inefficiencies in their production processes. Requiring compliance with environmental regulations has also been found to increase innovation – for example, Jaffe and Palmer (1997) find an increase in compliance expenditure to be associated with an overall short-run increase in R&D.

## **RESULTS**

The private sector is the driving force behind sustainable economic growth. Developing countries with diverse and healthy private sectors typically have higher levels of growth and poverty reduction. Enhancing the productivity and competitiveness of enterprises in developing countries is a critical component of stimulating economic growth and generating new formal employment opportunities. Developing country entrepreneurs, in particular female entrepreneurs, face constraints in establishing and growing their businesses [7]. Developing country governments need to create the right conditions and institutional frameworks as a foundation upon which to encourage investment, innovation, and economic growth.

## **DISCUSSION**

Countries need to build their capacity to ensure sound, transparent financial and economic management and establish public policies that encourage private investment and reduce corruption. This requires strong institutions, and balanced laws and fair regulations to govern their economies. It requires government policies that open markets to trade and infrastructure investments to deepen integration into the local, regional, and global economies. It also includes effective regulatory regimes to oversee competition, the maintenance of standards, resource

management, and property rights. Having the protection of fair and equitable labour laws and codes in their economic life particularly empowers the poor, including women, to engage in the formal economy. This means ensuring the poor have access to land and resources, security of tenure, and the capacity to use their assets productively and sustainably [8].

## **CONCLUSION**

In order to achieve the objective of more rapid economic growth, Ministry of Foreign Affairs will play a lead role in putting growth for sustainable poverty reduction at the heart of the international development dialogue. It will seek partner country commitment to credible growth strategies, support the formulation and implementation of such strategies, and work with other donors to improve the quality of support that is offered [9].

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