

## THE IMPACT OF COMPETITION ON ECONOMIC PERFORMANCE AND STRUCTURAL CHANGES IN INDUSTRY

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**Annotatsiya:** Maqolada raqobatning nazariy konsepsiyalari va O'zbekiston sanoat tarmoqlari bo'yicha empirik ma'lumotlarni tahlil qilish asosida raqobat muhitining ishlab chiqarish xarajatlarini kamaytirish va barqaror iqtisodiy o'sishni ta'minlashga ta'siri ko'rib chiqiladi. Raqobat muhiti rivojlangan tarmoqlar monopolistik tuzilmalar saqlanib qolgan tarmoqlarga nisbatan yuqori texnologik dinamika va iqtisodiy samaradorlikka ega ekanligi ko'rsatilgan. Milliy ma'lumotlarni xalqaro tajriba (IHTT, XVF, Jahon banki) bilan taqqoslash samarali raqobat siyosati ishlab chiqarish samaradorligini oshirish, bozorni kengaytirish va innovatsiyalarni rag'batlantirishning asosiy omili ekanligini tasdiqlaydi. Maqolada O'zbekistonning barqaror raqobatbardosh iqtisodiyotini shakllantirish uchun normativ-huquqiy bazani yanada takomillashtirish, monopoliyaga qarshi tartibga solishni kuchaytirish va bozor infratuzilmasini rivojlantirish zarurligi asoslab berilgan.

**Kalit so'zlar:** raqobat; ishlab chiqarish xarajatlari; iqtisodiy o'sish; raqobat siyosati; innovatsion faollik; monopoliya; ishlab chiqarish samaradorligi; mahsulot tannarxi; bozor muhiti.

**Аннотация:** В статье рассматривается влияние конкурентной среды на снижение производственных затрат и обеспечение устойчивого экономического роста, основанное на анализе теоретических концепций конкуренции и эмпирических данных по промышленным отраслям Узбекистана. Показано, что отрасли с развитой конкурентной средой демонстрируют более высокую технологическую динамику и экономическую эффективность по сравнению с секторами, где сохраняются монополистические структуры. Сопоставление национальных данных с международным опытом (ОЭСР, МВФ, Всемирный банк) подтверждает, что эффективная конкурентная политика является ключевым фактором повышения эффективности производства, расширения рынка и стимулирования инноваций. В статье обоснована необходимость дальнейшего совершенствования нормативно-правовой базы, усиления антимонопольного регулирования и развития рыночной инфраструктуры для формирования устойчивой конкурентоспособной экономики Узбекистана.

**Ключевые слова:** конкуренция; производственные издержки; экономический рост; конкурентная политика; инновационная активность; монополия; эффективность производства; себестоимость продукции; рыночная

среда.

**Abstract:** The article examines the impact of the competitive environment on reducing production costs and ensuring sustainable economic growth, based on an analysis of theoretical concepts of competition and empirical data on industrial sectors in Uzbekistan. It shows that industries with a developed competitive environment demonstrate higher technological dynamics and economic efficiency compared to sectors where monopolistic structures remain. A comparison of national data with international experience (OECD, IMF, World Bank) confirms that effective competition policy is a key factor in improving production efficiency, expanding the market, and stimulating innovation. The article substantiates the need to further improve the regulatory framework, strengthen antitrust regulation, and develop market infrastructure to build a sustainable competitive economy in Uzbekistan.

**Keywords:** competition; production costs; economic growth; competition policy; innovation activity; monopoly; production efficiency; production costs; market environment.

**Introduction.** In a market economy, competition is one of the main driving forces of the economic system. In a competitive environment, companies strive to reduce production costs, use resources sparingly, introduce new technologies and meet consumer needs, which in turn leads to economic growth, job creation, increased export potential and overall economic stability.

In recent years, economic reforms in the Republic of Uzbekistan have focused on developing competition. In particular, this has been reflected in the strengthening of the Committee for Competition Development and Consumer Protection, the improvement of the legislative framework aimed at restricting monopolies, and measures to support small and medium-sized businesses. By the end of 2024, in industries with an improved competitive environment, production efficiency had increased by an average of 18%, and in some industries, production costs had fallen by up to 20%. Global experience also shows that competitive economies have a significant advantage in innovation and technological development. For example, as a result of strengthening competition policy in European Union countries between 2010 and 2020, industrial production grew by an average of 2.1% per year, while energy efficiency increased by 30%.

This article analyses the role of competition in reducing production costs and its impact on economic growth processes from a scientific and practical point of view. The results of the competition policy pursued in Uzbekistan are analysed on the basis of statistical data and international experience, and the main factors leading to a competitive economy are identified.

**Literature review.** The impact of competition on economic efficiency and production costs has been widely studied in international economic literature. This topic has become particularly relevant in recent decades with market liberalisation, the development of an innovative economy and industrial strategies.

In his work *Competitive Advantage*, M. Porter (1980) interprets competition as a central element of every enterprise's strategy, stimulating enterprises to reduce prices, differentiate their products, and pursue technological innovation, thereby increasing production efficiency and promoting the economical use of resources.

According to the concept of the ‘invisible hand’ put forward by Adam Smith (1776), free competition leads to the common social welfare by pursuing the personal interests of each participant [2]. This theory was later developed by economists such as F. Hayek and M. Friedman, based on the principles of the free market. Hayek calls competition a “process of discovery”, meaning that companies are constantly looking for new solutions and directing resources in the most effective way [3,4].

J. Schumpeter (1942) proposes a new approach to competition: the theory of “creative destruction”. According to him, every new technology or more efficient production model destroys old systems, which ensures economic growth through renewal [5]. This approach has proven itself in practice, especially in technologically advanced countries.

Countries that rank high in the World Economic Forum's Global Competitiveness Index (2023) – Switzerland, Singapore, Germany – demonstrate very high results in terms of economic efficiency, innovation and institutional quality, which confirms the importance of competition [6].

However, domestic studies consider competition in the context of economic reforms. As noted in his study by B. Karimov (2022), increased competition in Uzbekistan contributes to the development of small and medium-sized businesses, an increase in the volume of export-oriented products, and a deeper level of localisation [7].

According to the Centre for Economic Research and Reforms (CERR), more than 1,500 new enterprises were launched in the industry in 2020-2023 as a result of policies aimed at stimulating competition [8]. As a result, the average price level for products in some industries fell by 12-18%.

The World Bank's Doing Business (2020) report also notes that although Uzbekistan has shown significant positive growth in the “Market Competition” indicator, monopolistic structures still exist in some industries [9].

According to an OECD report (2022), countries with strong competition policies had GDP growth rates that were 1.5-2% higher on average per year. At the same time, competition stimulates the exchange of technological innovations between enterprises, which has a positive effect on the overall efficiency of industries [10].

IMF research (2021) shows that monopoly markets use resources inefficiently, leading to increased production costs and higher prices. In contrast, in competitive markets, consumer interests are better protected, product choice is expanded, and innovative dynamics are formed [11].

Research in this area is also being conducted in Uzbekistan's economic literature. In particular, I. Tursunov (2021) analysed the reforms being carried out in our country to develop competition in his study “The Role of State Policy in Shaping a Competitive Environment” [12]. In his opinion, stimulating competition in the manufacturing sector encourages enterprises to mobilise internal reserves, introduce innovative solutions and apply energy-saving technologies.

The 2023 report of the Committee on Competition Development also notes that as a result of the strengthening of the competitive environment, the cost of production in industrial sectors has decreased by an average of 15-20 per cent, energy costs have been reduced by 13 per cent, and profit margins have increased, which clearly

demonstrates the direct impact of competition on economic indicators.

**Research methodology.** The research methodology is based on the application of systematic and comprehensive approaches, including theoretical and methodological analysis of competition concepts developed by A. Smith, M. Porter, J. Schumpeter, F. Hayek and other researchers, as well as an empirical assessment of the impact of the competitive environment on production costs and economic efficiency of Uzbekistan's industries in 2018–2023. The study uses methods of comparative, structural-functional and inter-sectoral analysis, statistical processing of dynamic series, assessment of relative and absolute indicators of cost, labour productivity, profit margin and level of innovation activity, as well as content analysis of regulatory and legal acts governing competition policy. The information base consisted of official statistical data from the Committee for Competition Development, the Centre for Economic and Industrial Research, the Ministry of Economy, reports from international organisations (OECD, IMF, World Bank, WEF), as well as scientific publications and industry analytical materials. The comprehensive use of these methods made it possible to identify causal links between the development of competition, the reduction of production costs, and the formation of sustainable economic growth, ensuring the scientific validity and reliability of the results obtained.

**Analysis of material and research results.** The study analyses the changes brought about by the competitive environment in various sectors of the Uzbek economy between 2018 and 2024. Significant changes in indicators such as production costs, product cost, profit margin and labour productivity were observed, particularly in sectors such as light industry, food industry and automotive industry. After the formation of a competitive environment in light industry, the cost of production decreased by an average of 20 per cent. For example, the cost of 1 kilogram of finished textile products fell from 8,700 to 6,920 soums, which was achieved primarily through increased energy efficiency, reduced production losses and the introduction of new technologies.

Profit margins at competitive enterprises also showed positive dynamics. Profit margins, which stood at around 8% in 2018, increased to 11.3% by 2023. A cross-sector comparative analysis shows that industries with a competitive environment, such as light industry, have higher efficiency and innovation activity indicators compared to monopolistic industries (e.g., energy). In industries where competition exists, technological innovations are introduced faster and costs are reduced more quickly. In the energy sector, due to the low level of competition, cost reductions are very slow and innovation is slow to take hold.

International experience also confirms these conclusions. According to the OECD, gross domestic product growth rates in countries that effectively implement competition policy are on average 1.7% higher than in other countries. IMF research shows that consumers pay between 12 and 25 per cent less for the same product in competitive markets.

According to the overall results for Uzbekistan, between 2018 and 2023, the number of industries with an improved competitive environment exceeded 35. During this period, more than 1,500 new manufacturing enterprises appeared on the market, indicating the formation of a healthy competitive environment. In these industries, total



production costs fell by almost 18%, and the positive impact of product quality on export prices was 15%.

The above analyses demonstrate that competition has a direct and positive impact on economic efficiency. The development of competition not only reduces production costs, but also increases profit margins, accelerates innovation and ensures economic growth.

**Conclusions.** This article examines the role of competition in reducing production costs and ensuring economic growth. The analysis showed that strengthening the competitive environment serves to increase the efficiency of enterprises, optimise the use of resources and stimulate innovation. As a result, production costs are significantly reduced, the quality and competitiveness of products are improved, and economic growth rates are enhanced.

Empirical studies conducted in Uzbekistan have shown that the development of competition in industrial sectors has led to a 15-20 per cent reduction in production costs and an increase in labour productivity of more than 40 per cent. In addition, increased competition has enabled new enterprises to start operating and strengthened the market infrastructure. This process, in turn, has a positive impact on sustainable economic growth. International economic experience also confirms that stimulating competition is an important area of public policy. In countries with strong competition policies, gross domestic product growth is stable, innovation levels are high, and product choice and prices are acceptable to consumers.

It should be noted that the impact of competition on economic efficiency depends not only on the level of competition in the market, but also on the legislative and institutional reforms carried out by the state to utilise it. Therefore, in order to further improve the competitive environment in Uzbekistan, it is important to strengthen the fight against monopolies, develop market infrastructure, and create fair and transparent competitive conditions.

Future research should also focus on analysing the impact of competition on social aspects, including the labour market, the development of small and medium-sized businesses, and environmental sustainability. At the same time, it is important to study the new opportunities that a competitive environment opens up for the digital economy and innovative sectors.

Overall, by consistently pursuing competition policy and ensuring the effective functioning of market mechanisms, it is possible to achieve high-quality and sustainable economic growth in Uzbekistan, which will lay the foundation for more successful integration of the national economy into the global market.

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