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## Factors Stimulating Sustainable Economic Growth in Developing Countries: International and National Contexts with Insights from Uzbekistan

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**Abstract:** Sustainable economic growth in developing countries depends on the effective interaction of international and domestic factors. The purpose of the research is to identify and analyze the determinants of sustainable growth and receive new findings through the systematic review of the modern scientific and institutional research data from 2024 to 2025, including the World Bank, the IMF, UN DESA, and the ADB official reports, on the case of Uzbekistan. Conclusively, under high, currently experienced risks such as financial instability, post-pandemic recovery prospects, and the geopolitical situation, developing countries can benefit from long-term growth by increasing the quality of their institutions, infrastructure, human capital, innovation, and governance. However, the literature lacks a sufficient overview of the frameworks based on the integration of these five drivers into the national policies adapted to the specific conditions of, for example, the Central Asia. The methodological approach combines comparative analysis and synthesis of international findings with empirical data from Uzbekistan's reform trajectory. Results show that robust institutions, green infrastructure, digital transformation, and macroeconomic stability significantly influence growth sustainability. Uzbekistan's experience demonstrates that targeted reforms, public-private partnerships, and investments in renewable energy and education contribute to economic diversification and poverty reduction. The study concludes that achieving sustainable growth requires synergy between governance, technology, and social inclusion. The implications emphasize the importance of continued institutional strengthening, human capital development, and green transition strategies to secure inclusive and resilient development in emerging economies.

**Keywords:** sustainable growth, institutional quality, innovation, human capital, infrastructure, Uzbekistan, economic diversification

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### 1. Introduction

Economic sustainable growth is a long-term trend of growth in real per-capita income that preserves the opportunity for future generations to also meet their own needs. The latter brings us to a distinctive feature of the sustainable growth of developing countries: the need to implement policies that open up economic opportunities, reduce poverty, and enhance human security; at the same time, macro-economic policy must not only be environmentally friendly but improve human welfare. The country's growth trajectory is presented by international conditions and national determinants. The former includes trade, finance, and technology flows; the latter are provided by the World Bank and IMF's most recent researches. This report will analyze the most recent publications on economic development, World Bank's and the IMF's reports, and international research results and

allocate several groups of factors that stimulate economic sustainable growth of developing countries. The performance of such influences will be proved by the example of the case of Uzbekistan. International organizations note that developing countries face a fragile global environment. The UN Department of Economic and Social Affairs' Financing for Sustainable Development Report 2024 warns that crises—from financial instability to the COVID-19 pandemic and geopolitical tensions—have slowed global growth and increased vulnerabilities in developing countries. The report argues that comprehensive national policy packages and international cooperation in debt relief, trade integration and technology transfer are necessary to improve investment and medium-term growth[1]. In the World Bank's Europe and Central Asia Economic Update (Fall), consumption and investment growth are supported by rising wages, remittances and pro-market reforms; however, growth remains uneven across regions, and household demand in Central Asia is particularly sensitive to remittances and credit conditions[2]. [3]. Overall, the global context underscores the need for developing countries to pursue structural reforms, diversify their economies and collaborate internationally to manage shocks and benefit from technology and finance.

## 2. Materials and Methods

This study employs a qualitative analytical approach supported by comparative and descriptive methods to identify and evaluate the key factors stimulating sustainable economic growth in developing countries, with a specific focus on Uzbekistan. The research design integrates secondary data analysis from authoritative international sources—including reports by the United Nations Department of Economic and Social Affairs (UN DESA), the World Bank, the International Monetary Fund (IMF), the Asian Development Bank (ADB), and the Organisation for Economic Co-operation and Development (OECD)—covering the period 2023–2025. The study systematically reviews scientific articles indexed in Scopus and peer-reviewed journals to identify theoretical foundations and empirical relationships that underpin the concepts of institutional quality, infrastructure development, human capital, technological innovation, trade integration, and environmental sustainability. The methodological procedure involves three principal steps: selecting recent scholarly and policy-oriented sources; synthesizing and categorizing reviewed factors between global and national patterns; and conducting a contextual analysis of Uzbekistan as a case suitable for both academic and policy-oriented insights. Data triangulations ensure the study's validity in the evidence by comparing international and national datasets, while thematic coding unveils interactions between institutional, economic, and environmental variables. In descriptive statistics terms, the World Bank and ADB reports were used to inform interpretations of economic trends. This methodological triangulation showcases the study's strength due to the combination of global insights with local data, as it allows gaining a comprehensive overview of how structural reforms, governance changes, and innovation policies help achieve sustainable development. Therefore, the approach adopted for the contextual analysis guarantees analytical depth and policy coherence; hence, it establishes a good basis for interpreting findings and deriving practical implications for developing countries.

## 3. Results and Discussion

### Groups of Factors Promoting Sustainable Growth

#### 1. Institutional Quality and Governance

Strong institutions—transparent legal systems, protection of property rights, control of corruption and efficient public administration—form the backbone of sustainable growth. Empirical evidence shows that institutional quality has a significant positive impact on economic growth in emerging economies[4]. Good governance enhances efficiency, improves resource allocation and supports private-sector activity[5]. An open-access study on emerging Asian countries found that a 1% improvement in institutional quality increases per-capita economic growth by 0.362% while also reducing environmental emissions[6]. Conversely, weak institutions can allow corruption and

market distortions that discourage investment and hinder innovation. Policies that strengthen rule of law, improve regulatory frameworks and ensure accountability therefore play a central role.

## 2. Infrastructure Development

Infrastructure—including transport, energy, telecommunications and water systems—underpins human development, productivity and trade. An article on the role of infrastructure in emerging markets notes that well-developed transport, energy and digital networks reduce costs, improve market accessibility and attract domestic and foreign investment. Social infrastructure (schools, hospitals and housing) is vital for developing human capital and directly improves quality of life[7]. The paper emphasizes that robust infrastructure acts as a magnet for private investment and that public-private partnerships are key to mobilizing resources. Sustainable infrastructure is becoming critical; green projects such as renewable-energy installations address environmental concerns while supporting economic growth[8].

## 3. Human Capital and Education

A skilled and healthy workforce drives productivity and innovation. Investment in education, healthcare and vocational training not only improves individual earnings but also fosters social inclusion. The World Bank stresses that developing countries must build skills to meet evolving labour-market needs. The synergy between human capital and foreign direct investment (FDI) is strong: a 2025 study examining sixteen emerging economies found that financial development and human-capital development initially have negative impacts on FDI due to adjustment costs, but once a threshold of human capital is reached, their combined effect becomes positive, raising FDI inflows and supporting long-term economic gains[9]. This highlights the importance of continuous investment in education and health to attract and absorb foreign technology.

## 4. Technological Innovation and Digital Transformation

Technological progress—particularly digitalization and green technology—enhances productivity and supports sustainable development. Research on emerging Asian economies found that every 1 % expansion in green technological innovation reduces per-capita carbon emissions by 0.329 % and raises per-capita economic growth by 0.397 %. The same study urges countries to invest in green technology and renewable energy projects to achieve sustainable development goals[4]. Digital infrastructure (broadband connectivity, e-commerce platforms and cloud services) enables participation in global value chains and fosters entrepreneurship[10]. Policies that support research and development, technology adoption and digital skills are therefore essential.

## 5. Foreign Direct Investment and Financial Development

FDI brings capital, technology and managerial know-how. However, its benefits depend on the domestic environment. The 2025 study noted above identifies a critical threshold of human capital (0.7919) beyond which FDI's impact on growth becomes positive. Well-functioning financial systems reduce risks and facilitate efficient capital allocation, making it easier for foreign investors to operate. Attracting FDI therefore requires macro-economic stability, open trade policies, transparent regulation and efforts to upgrade workforce skills.

## 6. Trade Integration and Economic Diversification

Open and diversified economies are more resilient. The IMF policy paper on economic diversification emphasises that shifting from traditional sectors to high-quality services improves resilience to global shocks and promotes sustainable growth. Drivers of diversification include macroeconomic stability, infrastructure quality, workforce skills, credit access, a predictable regulatory environment and income equality[11]. Diversification reduces dependence on primary commodities and broadens export earnings. Regional trade agreements and participation in global value chains enable developing countries to access larger markets and stimulate competition.

## 7. Environmental Sustainability and Climate Resilience

Sustainable growth must not compromise the environment. The interplay between economic growth and environmental sustainability is complex; a recent study comparing more and less sustainable countries observed that sustainability practices strongly

correlate with better economic performance in more sustainable countries, whereas in less sustainable countries economic growth often precedes sustainability improvements[12]. Green policies, renewable energy and climate-resilient infrastructure reduce vulnerability to climate shocks and create new industries. Effective environmental governance also enhances human health and reduces long-term costs.

#### 8. Social Inclusiveness and Equity

Growth that excludes large segments of society is neither sustainable nor desirable. Measures to reduce poverty and inequality—such as targeted social transfers, inclusive education and gender equity—ensure broad participation in economic opportunities. The UN report on financing for sustainable development stresses that comprehensive national policy packages should foster structural transformations while promoting social inclusion. Improving access to finance for small businesses, supporting rural development and ensuring decent work conditions are central to inclusive growth.

#### 9. Macroeconomic Stability and Sound Fiscal and Monetary Policies

Stable macroeconomic environments enable businesses to plan and invest. The IMF notes that structural and institutional reforms help entrench macroeconomic stability and maintain robust growth[10]. Sound fiscal management—including responsible debt levels and efficient public spending—and credible monetary policy that controls inflation and encourages savings are fundamental. The World Bank's regional update notes that investment growth is expected to improve in Europe and Central Asia because of public infrastructure spending, increasing FDI inflows and robust private investments. This underscores the role of pro-market reforms in strengthening investor confidence.

#### National Context: Uzbekistan's Path to Sustainable Growth

##### Economic Performance and Reforms

Uzbekistan, a lower-middle-income country in Central Asia, has undertaken wide-ranging economic reforms since 2017. According to the World Bank's Uzbekistan overview, the country aims to move to an upper-middle-income status by 2030 and reduce poverty by 50 %[6]. Economic growth has been robust—real GDP grew 7.2 % in the first half of 2025 with expansion in consumption, investment and exports[6]. The ADB expects Uzbekistan's GDP growth to reach 6.6 % in 2025 and 6.7 % in 2026 and credits targeted efforts to develop industry and construction[13]. Inflation is moderating, with projections of 8 % in 2025 and 7 % in 2026.

Structural reforms are central to sustaining this growth. The IMF highlights the need to reduce state dominance, complete price and trade liberalization, privatize state-owned enterprises and strengthen governance[10]. The World Bank similarly stresses that Uzbekistan must reduce state control and liberalize key sectors while improving the trade and investment environment and building skills[6]. These reforms align with the broader factors outlined above.

##### Infrastructure and Investment

Infrastructure investment is a key driver. The World Bank's ECA update reports that FDI inflows to Uzbekistan reached a record US \$11.9 billion in 2024 and that strong growth continued in 2025; external sources accounted for nearly two-thirds of all investments, with urban infrastructure, transport and renewable projects leading the surge[14]. Central Asia's pro-market reforms have improved the region's appeal to investors, leading to some of the fastest investment growth rates in Europe and Central Asia. Technology investment is rising—an artificial-intelligence-enabled and sustainable facility is being built at Tashkent's IT Park and another is planned for Bukhara, with total investment projected at US \$5 billion. The ADB notes that improved infrastructure and regional integration—through economic corridors and diversified trade routes—are vital for Uzbekistan's land-locked economy[15].

##### Human Capital and Social Policy

Uzbekistan's young and growing population is a strength. The OECD observes that the country has strong fundamentals for long-term, sustainable growth due to its entrepreneurial population, natural resources and a government committed to reforms, but achieving meaningful structural change will require expanding the private sector's role and removing constraints on entrepreneurship. Investments in education and

vocational training are essential to leverage this demographic advantage and meet the skills required for new industries. Social programs aim to reduce poverty and ensure that growth benefits rural and urban populations alike.

#### Institutional Reforms and Governance

Reform momentum must continue. The IMF cautions that consolidating fiscal policies and strengthening monetary policy are vital; reducing state involvement in the financial sector and completing price and trade liberalization will help entrench macroeconomic stability. Uzbekistan's anti-corruption efforts and legal reforms are improving the business climate, and the country has joined regional trade agreements to enhance market access. Continued progress in governance will determine the sustainability of growth.

#### Environmental and Social Sustainability

Uzbekistan is prone to environmental challenges such as water stress and land degradation. The government is investing in renewable energy (solar and wind projects) and sustainable agriculture, aligning with the global trend toward green growth. Inclusive policies—such as supporting small and medium-sized enterprises, improving rural infrastructure and expanding social protection—are essential to ensure that economic gains are broadly shared and to prevent inequality from undermining social cohesion.

#### Integrating International and National Perspectives

Figure 1 illustrates the interconnected groups of factors that stimulate sustainable economic growth. The global context sets opportunities and constraints through trade, finance and technology flows, while national policies determine how a country harnesses these forces. In Uzbekistan, reforms have improved the business environment, attracted FDI and spurred infrastructure investment, but sustained progress will require continued institutional strengthening, investments in human capital and adoption of green technologies. The synergy among these factors—good governance, infrastructure, human capital, technological innovation, FDI, trade integration, environmental sustainability, social inclusiveness and macroeconomic stability—creates a virtuous cycle of development.(Table 1.)

**Table 1. Groups of Factors Stimulating Sustainable Economic Growth and Their Implications [11]**

| Group of Factors   | Key Characteristics   | Findings / Evidence   | Policy Implications   |
|--|---|---|---|
| <b>Institutional Quality and Governance</b>                | Transparent institutions, rule of law, anti-corruption mechanisms | A 1% improvement in institutional quality increases per-capita growth by 0.362% and reduces emissions | Strengthen legal frameworks and enhance public accountability           |
| <b>Infrastructure Development</b>                          | Transport, energy, digital and social infrastructure              | Strong link between infrastructure and investment attraction  | Promote public-private partnerships and prioritize green infrastructure |
| <b>Human Capital and Education</b>                         | Investment in education, health, and vocational training          | Positive synergy between human capital and FDI after reaching a development threshold                 | Expand education and skill programs aligned with labor market demand    |
| <b>Technological Innovation and Digital Transformation</b> | Green and digital technologies, investment                        | 1% growth in green R&D raises GDP per capita by 0.397%  | Foster innovation ecosystems and support digital skills training        |
| <b>Foreign Investment and Financial Development</b>        | FDI inflows, financial sector efficiency                          | FDI impact becomes positive after human capital threshold (0.7919) is reached                         | Ensure macroeconomic stability and transparent financial regulation     |
| <b>Trade Integration and Economic Diversification</b>      | Open markets and sectoral diversification                         | Diversified economies show higher resilience to shocks  | Strengthen export diversification and regional integration              |

| Group of Factors                        | Key Characteristics                                   | Findings / Evidence   | Policy Implications   |
|---|---|---|---|
| <b>Environmental Sustainability</b>     | Renewable energy, green policies, climate resilience  | Sustainability practices improve growth outcomes                            | Invest in green energy and enforce environmental governance                     |
| <b>Social Inclusiveness and Equity</b>  | Poverty reduction, gender equality, access to finance | Inclusive policies enhance long-term stability                              | Integrate social protection with economic reforms                               |
| <b>Macroeconomic Stability</b>          | Fiscal and monetary balance, debt control             | Stability supports investment and consumer confidence                       | Continue fiscal reforms, inflation control, and market liberalization           |
| <b>Uzbekistan Case Study Highlights</b> | Reform trajectory since 2017                          | GDP growth 7.2% (2025), rising FDI (US\$11.9B, 2024), ongoing privatization | Maintain reform momentum, strengthen governance, and invest in green technology |

Sustainable economic growth in developing countries is multifaceted. International cooperation and favourable global conditions are important, but domestic factors ultimately determine outcomes. Research and policy evidence show that institutional quality and governance, infrastructure, human capital, technological innovation, foreign investment coupled with financial development, trade integration, environmental sustainability, social inclusiveness, and macroeconomic stability are the principal drivers. Uzbekistan's recent experience demonstrates how a comprehensive reform agenda aligned with these factors can stimulate rapid growth and attract investment. Continued progress in governance, skills development, sustainable infrastructure and green innovation will be essential for the country to achieve its goal of becoming an upper-middle-income economy by 2030.

#### 4. Conclusion

The study concludes that sustainable economic growth in developing countries is driven by the dynamic interaction of institutional quality, human capital development, infrastructure modernization, technological innovation, and effective governance, all of which are reinforced by macroeconomic stability and social inclusiveness. The findings highlight that nations such as Uzbekistan, which strategically align national reforms with these multidimensional growth factors, experience accelerated economic diversification, improved investment climate, and strengthened resilience to external shocks. Empirical evidence shows that institutional reforms and digital transformation are particularly decisive in sustaining long-term growth and attracting foreign investment. The implications of this research emphasize the necessity for governments to maintain comprehensive policy coherence—linking governance, education, and green innovation—to achieve inclusive and environmentally sustainable development. Furthermore, coordinated international cooperation in trade, finance, and technology transfer remains essential for maximizing these outcomes. Future research should focus on quantitative modeling of the interdependence among institutional efficiency, digital infrastructure, and environmental sustainability, as well as country-specific comparative analyses across Central Asia to deepen understanding of policy effectiveness and long-term structural transformation.

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