



Article

Trends in the Development of the Region's Industrial Potential

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Abstract: This article classifies criteria for regional industrial potential based on the views of international and domestic scholars. It analyzes the regional industrial structure by sector and their production activities across regions. Based on the findings, proposals for increasing regional industrial potential are developed.

Keywords: Industry, Criterion, Potential, Branches, Ecology, Region, Khorezm.

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1. Introduction

The development of the industrial sector plays a crucial role in providing society with material goods and meeting the population's demand for various products. The effective functioning of this sector requires not only satisfying domestic market needs but also offering competitive products in international markets, thereby enhancing export potential. In this regard, the growth of export activities is considered one of the key factors in expanding industrial production and increasing the competitiveness of goods [1].

Sustainable development of the industrial sector is important not only at the national level but also at the regional level. This is because each region, based on its natural resources, raw material base, and economic conditions, possesses the potential to develop specific branches of industry. Consequently, a regional approach becomes essential in analyzing industrial development [2].

At the same time, practical experience shows that regions do not always utilize their available opportunities and resources efficiently. As a result, the existing industrial potential is not fully realized in the process of sustainable development. Therefore, a comprehensive study of the current state and future prospects of regional industrial development, as well as the identification of internal reserves and capabilities, is of significant scientific and practical importance [3].

This study places particular emphasis on identifying the criteria for assessing industrial potential, analyzing them, and developing effective ways to utilize this potential.

Literature Review on the Topic

In particular, United Nations studies have examined the production capacity of industry. These studies emphasize that the criteria for industrial production capacity are divided into eight categories. In turn, these categories consist of 46 indicators.

That is, the eight criteria are listed as follows:

- **Human capital:** the level of education, skills, and health of the population; birth rate; the number of researchers and research expenditures; and the overall integration of research and development (R&D) [4].
- **Natural capital:** reserves of mineral and agricultural resources, as well as the rent value remaining after deducting the costs of extracting such resources.
- **Energy:** availability, stability, and efficiency of energy sources, as well as the share of energy consumption in gross domestic product (GDP).
- **Transport:** the quality of national road networks, railways, and air transport connections [5].
- **ICT (Information and Communication Technologies):** availability and use of communication systems by the population, including fixed and mobile phone users, as well as internet accessibility and server security.
- **Institutions:** political stability and effectiveness, regulatory quality, effectiveness in combating crime, corruption, and terrorism, as well as efforts to ensure freedom of speech and association for citizens.
- **Private sector:** the extent to which the private sector is dynamic, innovative, and active, as well as its access to financing and other production resources; the number of patent applications and registered trademarks; the ease of cross-border trade, including the time and cost of exports and imports; as well as domestic credit available to businesses, the speed of contract enforcement, and the time required to start a business.
- **Structural change:** the ability and tendency of the economy to undergo efficient structural transformations, the complexity and diversification of exports, the intensity of capital stock, and the share of industry and services in total GDP [6].

In many other studies, industrial capacity is classified into three aspects. In particular, they are grouped as: the availability of production resources, a comprehensive description of the activities of industrial enterprises, and the reserves for increasing production efficiency. That is, the main components of industrial capacity are identified through the following criteria and indicators:

- **Production component:** production buildings and structures, machinery and equipment, transport vehicles, transmission devices, valuable tools and inventory, as well as other fixed production assets.
- **Material component:** working capital such as raw materials, supplies, finished goods, work-in-progress, accounts receivable, and cash required for production needs [7].
- **Human resources component:** includes labor resources, that is, employees who possess the physical and intellectual abilities required to carry out labor (production) activities.

In our opinion, the criteria presented in this study and their structural composition are more suitable for the micro level rather than the regional level, and are mainly convenient for use within the framework of an enterprise. Nevertheless, when assessing the industrial potential of a regional economy, we consider it appropriate to classify it into production, raw material, and human resource potential [8].

In this regard, the production potential reflects the structural composition of the region's industrial sector and the structure of its branches. The raw material criterion focuses on the availability of existing resources and their presence within the region. At the same time, the human resource potential involves evaluating the available workforce in terms of both its quality and quantity.

Thus, based on the research conducted above, we consider it appropriate to focus on three key aspects when characterizing the industrial potential of a region [9].

2. Materials and Methods

In our view, evaluating most of the indicators used in this study requires the application of the expert method in quantitative assessment. That is, the evaluation results

are not based on precise quantitative measurements but are characterized by the predominance of subjective factors.

At the same time, the indicators are complex in nature and are primarily suitable for analysis at the country level. Nevertheless, such criteria as the level of human capital development, the degree of natural capital, the availability of energy resources, transport and information and communication technologies (ICT), the role of the private sector, and the outcomes of structural changes can also be applied at the regional level [10].

3. Results and Discussion

During the period 2010–2025, the dynamics of industrial production volume and its growth rates in the Khorezm region were generally positive (Table 1). In particular, the value of industrial output at current prices amounted to 628.6 billion UZS in 2010, while by 2025 it had reached 34276.1 billion UZS. Thus, over the study period, this indicator increased by 50 times. This situation is associated with the consistent implementation of regional industrialization policies, the intensification of investment policy, and the acceleration of modernization processes in the sector [11].

However, the above indicators are expressed in current prices, and when analyzing the development trends of the industrial sector in the region, it is also necessary to consider real indicators. In particular, the annual growth rates of the real volume of industrial production demonstrate a positive trend. That is, during 2010–2025, the average annual growth rate of industry amounted to 110.8%. Nevertheless, the year-by-year growth rates of industrial production were uneven. The highest growth rates were observed in 2014–2015, reaching 121.5% and 126.2%, respectively.

However, the Table 1. decline in the growth rate to 93.1% in 2016 indicates that a contraction occurred in industrial production. Starting from 2017, growth rates recovered, and a positive development trend was observed. During the period 2018–2025, rapid growth in the volume of industrial production was recorded. In particular, in 2021–2022, growth rates reached 117.2% and 115.0%, respectively, indicating that the development of the industrial sector had entered a new stage. Moreover, over the study period, the real volume of industrial production in the Khorezm region increased by 1.7 times [12].

Table 1. Industrial production volume and its growth rate in the Khorezm region.

Years	Volume of industrial production, billion UZS	Growth rate of industrial production compared to the previous year
2010	628,6	106,5
2011	852,4	113,9
2012	1 014,2	106,4
2013	1 297,2	111,5
2014	1 920,8	121,5
2015	2 616,0	126,2
2016	2 802,7	93,1
2017	4 070,4	118,3
2018	6 457,2	107,9
2019	8 538,6	107,5
2020	9 615,9	106,1
2021	13 658,1	117,2
2022	18 323,3	115,0
2023	21 589,1	106,4
2024	28 438,8	107,0
2025	34 276,1	108,4
	Average	110,8

Total growth (compared to 2009)
173,0

In general, our research shows that the development of the industrial sector in the Khorezm region requires taking into account region-specific characteristics and their respective growth points.

According to the above analysis, the overall growth rate of the industrial sector has been positive. However, while positive changes have been identified in the quantitative aspects of industrial potential, it is also necessary to examine its structural composition and qualitative characteristics. For this purpose, we first evaluate the structural potential of the industrial sector [13].

When analyzing the structure of the industrial sector of the Khorezm region by types of economic activity over the period 2010–2025, we identified an acceleration of diversification processes. In terms of sectoral characteristics of the regional industry, manufacturing has remained dominant, accounting for an average of 94 percent during 2010–2025. This indicator reflects the transition of the region's industrialization process from an extensive stage to an intensive stage, in line with the development of its industrial production potential.

One of the most significant structural shifts identified in the analysis is the formation and rapid development of the production of motor vehicles, trailers, and semi-trailers. Since 2014, a sharp increase in the share of this sector has been observed. At the same time, relative growth trends have also been noted in areas such as the chemical industry, rubber and plastic products, and paper production. This process is the result of increasing foreign investment in the regional economy, as well as reforms implemented in recent years.

The results of the analysis indicate that deep structural transformation processes are being carried out in the industrial sector of the Khorezm region. This situation can be characterized by a structural shift from traditional food production towards the machine-building industry. Nevertheless, traditional sectors such as food production and textiles still retain a dominant position in the regional economy [14].

In our above research, we examined the structural capacity of industry within the regional economy. In order to ensure its positive development and diversification, we also place special attention on the situation at the level of cities and districts. In other words, we assess the development of industrial sectors at the local level. This process, first of all, makes it possible to determine the level of specialization of cities and districts. In addition, the obtained results are used to develop proposals for the integration of high value-added industrial sectors across territories.

In particular, the share of manufacturing industry is almost dominant in all districts, reaching values between 96–100 percent.

This situation indicates that the main part of industrial activity in cities and districts belongs to processing industries. However, in Yangiariq district, the share of manufacturing industry is 62.6 percent, which reflects the presence of a certain level of diversification in the sectoral structure.

However, the structural composition of industrial potential indicates a high level of concentration of certain sectors in the region. In particular, the production of motor vehicles has an absolute dominance in Tuproqqal'a district. At the same time, the textile industry is emerging as the main specialized sector in many districts. Its share is high in Hazorasp (73.6%), Khiva (72.1%), Shovot (65.8%), Gurlan (59.7%), and Qo'shko'pir (46.1%) districts. In the food industry, Baghot (39.1%), Khonka (32.3%), and Qo'shko'pir (31.4%) districts have relatively high shares.

It can also be observed that beverage production, which requires relatively low technological input, is developed only in Urgench city.

At the same time, although livestock farming is one of the characteristic sectors of the region, the share of leather and related products production remains extremely low across all cities and districts.

Despite the growing scale of foreign investment in the region, the share of industries such as chemicals, rubber and plastic products, fabricated metal products, pharmaceuticals, computers, electronics and optical products remains low. These sectors are considered to be high value-added industries.

The region and its districts still have significant reserves and opportunities for the development of these industrial sectors.

In particular, there is a strong potential to use raw materials from the Republic of Karakalpakstan for the development of the pharmaceutical industry. In the field of computer and electronic product manufacturing, the region's human capital stands out due to its relatively high level of education among the republic's regions. In addition, the region also has strong potential in engineering education. Therefore, it is necessary to implement industrial policy in the region in close coordination with investment policy.

In increasing industrial potential in the region, territorial characteristics are as important as the sectoral structure. These aspects have been analyzed above. However, when assessing industrial potential through interregional comparisons, it is essential to consider per capita production indicators, since the industrial sector is highly dependent on human capital compared to other sectors.

In this regard, in the Khorezm region, the volume of industrial production per capita has shown steady growth during 2010–2025. In particular, industrial output per capita increased from 398 thousand soums in 2010 to 16,713 thousand soums in 2025. Overall, this reflects a 42-fold increase in the indicator over the research period.

Therefore, not only the total volume of industrial production, but also its per capita value demonstrates a positive growth trend.

However, when analyzing indicators at the district level, uneven changes were identified. In particular, the highest growth compared to the regional average was recorded in Khiva district. In this district, industrial production per capita increased from 109 thousand soums in 2010 to 4,746 thousand soums in 2025, representing a 43.6-fold increase. Nevertheless, the indicators in the remaining cities and districts of the region were lower than the regional average level.

In particular, relatively high growth rates were observed in Urgench (38.9 times) and Yangibozor (35.5 times) districts. Medium growth levels were recorded in Yangiariq (27.9 times), Qo'shko'pir (27.1 times), and Shovot (23.9 times) districts. At the same time, growth was relatively low in Baghot (12.7 times), Hazoras (12.1 times) districts, and Urgench city (16.7 times).

It should also be noted that the lowest change was observed in Tuproqqal'a district, where, in comparison for 2020–2025, only a threefold increase was recorded. However, this district still has the highest level of industrial production value in the region.

Therefore, when analyzing industrial potential, it is necessary to examine not only changes in per capita values but also their position relative to the regional average.

For this reason, in our research we also studied, across the districts of the Khorezm region, both the dynamics of per capita industrial production and their deviation from the regional average level. As a result, we identified the presence of interregional disparities in industrial development, as well as significant differences in industrial potential between districts.

In particular, positive indicators were recorded in Urgench city during the study period, where the level was 3.3 times higher than the regional average. A similarly high performance was observed in Tuproqqal'a district, where the indicator exceeded the

regional average by 16.5 times. Higher-than-average values of per capita industrial production were also identified in Hazorasp district.

However, in the remaining territories, the volume of per capita industrial production remains below the regional level. In particular, the lowest indicators were recorded in Khiva city (0.2), Qo'shko'pir (0.3), Urgench district (0.4), and Khiva district (0.3). This indicates that industrial potential is not being fully utilized in these areas. These territories are characterized by relatively well-developed infrastructure, higher levels of investment attraction, and their status as central cities and districts of the region. Nevertheless, it is evident that human, infrastructural, and financial resources of industrial potential are not being effectively utilized. To address this issue, it is necessary to develop and implement a targeted regional policy aimed at increasing industrial output, with special attention to expanding foreign economic activity and export capacity.

In this regard, one of the key indicators of industrial potential is export scale. Therefore, it is essential to analyze the commodity structure of industrial export potential. In particular, during 2013–2025, export diversification in the region increased by 1.37 times, or 37.5% compared to 2013. In other words, in the first year of the study period, the export commodity structure consisted of 8 product groups, while by 2025 this number had increased to 11.

In addition, positive changes were observed in the share of goods in total exports. Specifically, the share of food products and live animals increased from 1.1% in 2013 to 56.2% in 2025. At the same time, the share of industrial goods increased from 4.3% in 2013 to 23.7% in 2025. This reflects the high growth rate of the industrial sector's export potential. Furthermore, although the share of miscellaneous manufactured goods showed fluctuations, it increased from 0.1% in 2013 to 4.2% in 2025 [15].

4. Conclusions

In general, the export potential of the region is undergoing positive quantitative and qualitative changes. However, the export criterion of industrial potential still remains relatively low. In particular, as of 2025, the share of pure industrial goods in total exports accounts for 31.5%. This highlights the need to stimulate not only domestic demand but also external demand in order to enhance the industrial potential of the region.

Based on the research conducted above, the following measures should be taken to increase the industrial potential of the cities and districts of the Khorezm region and expand production capacity:

- Optimization of investment allocation across the territories of the region. In this regard, it is necessary to allocate funds from the state budget and public–private partnership mechanisms to expand infrastructure in underdeveloped areas;
- Expansion of entrepreneurial activity in the processing of agricultural products. In this context, preferential loans provided to the population and youth should be directed toward the development of processing industries;
- Establishment of small industrial zones in accordance with the resource potential of each territory to increase the attraction of foreign investment;
- Expansion of economic integration between territories and enterprises.

The implementation of the above measures will contribute to the growth of industrial production in the region and its districts and ensure the sustainable development of the sector.

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