

## DEVELOPMENT OF COMPETITIVE MECHANISMS IN MARKET

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**Abstract:** This article comprehensively examines the economic content, theoretical concepts, and practical mechanisms for developing competition mechanisms under market conditions. Institutional and structural factors limiting competition, the influence of monopolization processes on market efficiency are scientifically analyzed. Also, the issues of the state's antimonopoly policy, regulatory instruments, and liberalization of market access conditions in the formation of a healthy competitive environment are substantiated. The research results allow us to draw scientific conclusions on the development of competitive market relations.

**Keywords:** competition mechanisms, healthy competition, monopolization, anti-monopoly policy, factors restricting competition, government regulation.

### INTRODUCTION

In the context of market relations, the effective functioning of competition mechanisms is one of the key factors ensuring economic growth, production efficiency, and consumer welfare. Through competition mechanisms, rational allocation of resources among market participants is achieved, prices are formed based on market principles, and control over product quality is maintained. Therefore, the development of a competitive environment is significant not only at the microeconomic level but also from the perspective of macroeconomic stability.

The economic essence of competition mechanisms lies in the free rivalry among market participants, where the most efficient producers gain advantages. According to classical economic theory, under conditions of free competition, supply and demand reach equilibrium, and prices perform the function of market signals. However, in modern market conditions, perfect competition is rarely observed; instead, monopolistic competition, oligopoly, and monopoly structures are more widespread. As a result, monopolization processes and barriers to market entry may lead to insufficient competition, restrict consumer choice, and cause unjustified price increases. Such circumstances create the necessity for state regulation of competition mechanisms. In this regard, the Republic of Uzbekistan adopted the Law “On Competition” on July 3, 2023, and the regulatory and legal framework aimed at establishing a healthy and sustainable competitive environment is being consistently improved. These legislative foundations serve to ensure fair competition in market relations and enhance economic efficiency, thereby increasing the relevance of the present research topic.

Reforms in this direction are also reflected in the “Uzbekistan – 2030” Strategy, which prioritizes strengthening market institutions, reducing the state’s participation in the economy, expanding the role of the private sector, and reinforcing antimonopoly policy. Within the framework of this strategy, measures such as liberalizing market entry conditions, expanding competition in public procurement, and creating a favorable environment for investment and innovation are envisaged to ensure the effective functioning of competition mechanisms.

The purpose of this article is to analyze the theoretical and practical foundations of improving the competitive environment under market conditions, to identify mechanisms that contribute to

increasing market efficiency, and to develop scientifically grounded recommendations for fostering healthy competition.

### MATERIALS AND METHODS

Competition is defined as the process of rivalry among market participants for goods, services, and resources, and it serves as a fundamental mechanism for ensuring market efficiency, price stability, and consumer welfare. The development of competition and the conditions for its effective functioning have been extensively examined in both economic theory and applied research. Empirical and theoretical studies demonstrate that effective competition not only enhances production efficiency and safeguards consumer interests but also exerts a significant positive impact on macroeconomic stability and innovation-driven development.

Classical economists such as Adam Smith and Alfred Marshall regarded competition as a natural mechanism of the market system. They emphasized that under conditions of perfect competition, markets are capable of self-regulation and optimal resource allocation through the interaction of supply and demand. In contrast, modern research particularly the works of Joseph Schumpeter highlights that competition is not confined solely to price rivalry but also operates through innovation and technological advancement. From this perspective, competition mechanisms possess a dynamic character and stimulate the creative development of the market economy.

Based on these theoretical and empirical foundations, the issue of developing a competitive environment in Uzbekistan has become particularly relevant. In this regard, on January 20, 2026, a Memorandum of Cooperation titled “On Cooperation in Ensuring Price Stability, Forming a Competitive Environment in Markets, and Protecting Consumer Rights” was signed between the Central Bank of the Republic of Uzbekistan and the Committee for the Development of Competition and Consumer Protection. This document reflects the necessity of strengthening effective institutional cooperation aimed at ensuring price stability, reducing inflation, and fostering competition in goods and services markets. The Memorandum provides for a scientifically grounded analysis of market mechanisms influencing inflation, combating unjustified price increases and abuse of dominant market positions, and ensuring transparency in price formation across various sectors. It also envisages mutual information exchange and coordinated actions in jointly assessing supply-side factors in consumer markets and preventing potential risks.

The parties have defined the following priority areas of cooperation:

- strengthening institutional coordination in reducing inflation and maintaining price stability;
- fostering a healthy competitive environment in goods and services markets;
- establishing an effective system of information exchange to promptly identify monopolistic conditions affecting price formation;
- cooperating in the analysis of market concentration levels, dominant market participants, monopolistic practices, and market dominance, as well as exchanging views on draft regulatory and legal acts related to consumer protection in financial markets.

At the same time, several factors limit the formation of a competitive environment, thereby reducing market efficiency and complicating the entry of new participants. Among the most significant constraints are natural monopolies, barriers to market entry, and insufficient information transparency. For example, in 2025, during the assessment of draft regulatory legal acts in Uzbekistan for their impact on competition, 1,291 draft documents were reviewed, and anti-competitive provisions were identified in 19% of them. This indicates the need for additional measures to strengthen competition mechanisms in national markets. For this reason, by Resolution No. 694 of the Cabinet of Ministers of the Republic of Uzbekistan dated December 29, 2023, the Regulation on the Procedure for Assessing the Impact of

Regulatory Legal Acts and Their Drafts on Competition was approved. According to this Regulation, the impact of a regulatory legal act or its draft on competition is assessed using both “ex-ante” and “ex-post” evaluation methods. The Regulation also clearly defines the criteria for identifying provisions that may have a negative impact on competition. Furthermore, one of the quantitative tools used to assess market efficiency and the level of competition is the Herfindahl–Hirschman Index (HHI). This index measures the degree of market concentration and helps determine the level of monopolization: if the HHI exceeds 2,500, the market is considered highly concentrated (low competition); if it ranges between 1,500 and 2,500, the market is moderately concentrated; and if it is below 1,500, the market is regarded as competitive.

In the Republic of Uzbekistan, the development of competition and the enhancement of market efficiency constitute key priorities of state economic policy through the implementation of antimonopoly regulation. Monopolization reduces market efficiency, distorts price stability, and negatively affects consumer welfare. Therefore, the primary objective of the state is to ensure equal conditions for market participants and to limit the adverse effects of monopolistic practices.

Antimonopoly policy in Uzbekistan is based on the following legal foundations:

1. Constitutional basis. Constitution of the Republic of Uzbekistan in the new edition (Article 67): “The State guarantees freedom of economic activity and competition on lawful grounds. Monopoly and unfair competition in economic activity shall not be permitted.” This provision forms the constitutional foundation of competition law in the country.
2. The Law “On Competition” (No.850, 2023). This law is aimed at ensuring fair competition in markets, preventing monopolization, restricting anti-competitive practices, and establishing financial penalties for violations.
3. Presidential Decrees. Decree "On Measures for the Further Development of the Competitive Environment and Reduction of State Participation in the Economy."

The main mechanisms of antimonopoly policy include:

- Control and monitoring - continuous supervision of market participants to detect anti-competitive practices;
- Financial penalties - the imposition of statutory fines for violations of competition law;
- Facilitating market entry - reducing financial and legal barriers for new entrants;
- Information transparency - promoting healthy competition by ensuring openness regarding market shares, pricing, and other key indicators.

## CONCLUSION AND SUGGESTIONS

As analyzed in the article, the formation of a competitive environment in the Uzbek market remains a pressing issue. Although the regulatory and legal framework aimed at market development and the implementation of antimonopoly policy are functioning effectively, several constraining factors persist. These include natural monopolies, financial and legal barriers to market entry, and insufficient information transparency. Such factors reduce the level of competition and limit overall market efficiency. Based on the above scientific analysis, statistical data, and review of regulatory and legal documents, the following practical recommendations can be proposed to enhance the competitive environment in market relations:

- Liberalizing market entry conditions and encouraging startups and small businesses;
- Strengthening antimonopoly measures, including increasing financial penalties and enhancing regulatory oversight;



- Ensuring information transparency by expanding the availability of data on market shares, prices, and other key indicators;
- Improving competition policy through the study of national and international best practices and the introduction of effective practical mechanisms;
- Conducting systematic market monitoring to promptly detect and eliminate anti-competitive practices.

If these recommendations are effectively implemented, it will be possible to establish a healthy competitive environment in Uzbekistan, enhance market efficiency, and ensure the protection of consumer interests.

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