

## DIRECTIONS OF DIVERSIFICATION OF THE STRUCTURE OF THE NATIONAL ECONOMY

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### Abstract

In this article, I have presented the results of international theory and practice in the directions of diversification of the structure of the national economy, as well as the application and forecasts of practical work in the Republic of Uzbekistan.

**Keywords:** Diversification, Garri Markovitz, Maykl Gort, economic diversification index, strategy of diversification, UNIDO.

### Introduction

Relevance and necessity of the research topic. In the system of modern economic relations, diversification of the structure of the national economy is an important condition for ensuring stable economic growth. The structural structure of the national economy and its organization largely depend on the economic development model chosen by the country. The composition of the national economies of developed countries can be said based on the practice of diversification. As a result of the implemented reforms, the economy of these countries has been transformed from a system of economic relations specializing in raw materials to today's formation and development of economic sectors with high intellectual and scientific capacity. The process of diversification began to develop in the countries of the world from the mid-50s of the 20th century. Initially, in the USA, Japan, and Western European countries, diversification occurs in the fields of industry, transport, construction, and finance. Therefore, the nature of diversification is determined by the socio-economic factors of these countries, as well as general factors belonging to other countries (scientific and technical revolution, struggle for high profits, competition, not to be left behind by technical progress, etc.). In diversification, firms, especially monopoly firms, take the form of diversification. First of all, they begin to operate in high-income, fast-growing industries (for example, electronics, chemistry). Along with the production of products, the companies start to prepare the raw materials necessary for this product themselves. They save money from low-profit sector and spend it on high-profit sectors. For example, US concerns engaged in services, construction, land sales, publishing, trade information, equipment rental and other activities.

Diversification is very important for the economic development of the country and the expansion of consumer industries. Diversification ensures development in various sectors of the country's economy and increases the export potential of developing various products (services) in the market. This will help to enter the international market. It has an important role in strengthening diversification in the field of agricultural products, production of agrochemical products, as well as building materials in Uzbekistan. At the moment, although diversification is increasing in industry, tourism, transport and services, the main emphasis is on expansion of existing areas and creation of new sectors, expansion of agricultural products, expansion of high-quality production and creation of new sectors.



In the strategy of actions, great attention is paid to strengthening macroeconomic stability in our country, maintaining high economic growth rates, diversifying and modernizing national economic sectors in order to increase the level of global competitiveness of the national economy. This situation increases the need to identify the possibilities of creative use of advanced foreign practice in accelerating the processes of diversification of the structure of the national economy in our country in the coming years.

### **Theoretical foundations of the concept of diversification**

Diversification (lat. diversifi catio — change, diverse development) — the expansion and renewal of the fields of activity of enterprises (associations) and the type of products they produce. Diversification is carried out to achieve higher efficiency in production, obtain economic benefits, eliminate bankruptcy and other purposes. The penetration of firms previously specialized in one field (industry, agriculture, transport, finance, etc.) into other production sectors, service sectors, first of all, into high-profit sectors, expands their areas of economic activity and opportunities. As a result of diversification, wide-ranging, but not always technologically interconnected complexes that produce various goods, provide services, and engage in scientific research and development (for example, agro-industry complex, forest industry complex) are created, and this is called production diversification. In addition, it also has a form of credit diversification (in which the capital funds given as a loan are distributed among various objects in order to reduce risk and obtain higher profits). Such diversification is associated with the process of inter-industry capital concentration and the increase of inter-enterprise internal instability.

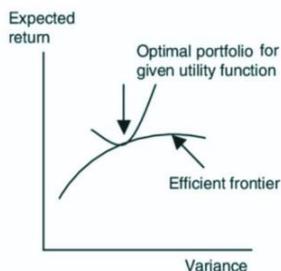
The term was first coined by economist Harry Markowitz in his March 1952 publication, Portfolio Selection, which included the author's discussion of building a high-return investment portfolio.

Markowitz's portfolio theory was published in the Journal of Finance in 1952. The article was called "portfolio selection" and proposed a mathematical model for forming an optimal portfolio of investments, formalizing the concepts of "profitability" and "risk". This formalization of concepts made it possible to translate the economic problem of choosing an optimal portfolio of investments into the language of mathematical formulas. The economic problem took the form of a mathematical quadratic equation with optimization based on linear constraints. Based on the risk/return curve, it was easy to choose the best parameters under the given conditions. The scientist was constantly improving his theory. The Markowitz model is a method of maximizing return within calculated risk. It is also called Markowitz portfolio theory or modern portfolio theory. This model facilitates practical application; Many new investors use this method in capital markets.





### Markowitz Model



Those closest to The Efficient Frontier have the potential to produce the greatest return with the lowest degree of risk.



The Markowitz selection model mainly focuses on portfolio diversification. It divides securities into high-risk and low-risk assets. Harry Markowitz's model was introduced in 1952 by a financial magazine. Harry Markowitz was awarded the Nobel Prize in 1990 for his contributions.

American economist Michael Gort was one of the first to study the practical and theoretical aspects of diversification. In his book, *Diversification and Integration in American Industry* (1962), he describes how a company serves multiple markets simultaneously by producing different products.

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**Table 1. 14 countries with the highest economic diversification index<sup>1</sup>**

2023	2022	2021	2020	2019	2018	2017

<sup>1</sup> Global economic diversification index 2023



The indicator of economic diversification is a set of several scientific and practical tips used to reduce risks and guarantee income by moving the income of a country or company from one area to another. Indicators of economic diversification include:

- Specialization of financial resources in several areas;
- Working with international markets and expanding exports;
- Faster access to the development of innovative products and services;
- Cost reduction and income expansion;
- Expand work experience and enter new fields.

### Results and discussion

As a result of regular implementation of reform programs aimed at modernization and diversification of the country's economy in 2000-2020, the average annual growth rate of added value in economic sectors was equal to 5.5 percent. In economic sectors, this indicator is higher than the overall average indicator in the service sector, which averaged 6.4 percent annual growth rate. In the studied period, this indicator was equal to 4.9% in industry (including construction), and 4.6% in agriculture, forestry and fisheries.

Strategy of diversification of national economic sectors and directions of its implementation.

The interrelationship between the diversification of the structure of the national economy of developing and market economy countries and their economic development indicators was reflected in the studies conducted by the experts of the international organization UNIDO. According to the results of the conducted studies, diversification of the composition of the national economy creates the necessary conditions for achieving high economic efficiency. It was found that low-income countries, while diversifying the composition of the national economy, technologically improved the products produced by diversifying the basic sectors of the economy in order to achieve high economic growth. Middle-income countries with a rapid development index have achieved high economic growth rates by stimulating the production of innovative products.

### Conclusion

Analyses show that diversification of the structure of the national economy ultimately leads to an increase in per capita income and economic growth. Taking into account this situation, it is necessary to expand the production of finished products and gradually reduce the volume of export of raw materials in order to diversify the composition of the national economy in Uzbekistan. That is, we believe that it is appropriate to support the production of ready-made innovative products with high added value, technologically improved, export-oriented.

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