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Article

The Concept of Interregional Economic Disparities and Their Determinants

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Abstract: Interregional socio-economic disparities are complex and influenced by multiple factors. These disparities manifest in income distribution, employment opportunities, and regional development levels. Spatial and statistical models are essential for understanding interactions between regions. Comprehensive assessment approaches integrating sustainability and resilience reveal long-term development patterns. Political and institutional factors significantly impact regional economic outcomes. Investment flows, infrastructure and human capital contribute to economic imbalances. Environmental and social considerations are crucial for sustainable growth. Foreign direct investment can both mitigate and exacerbate disparities. Tailoring policies to local characteristics enhances regional development strategies. Addressing economic inequalities requires a systematic and multifaceted approach.

Keywords: Interregional disparities, socio-economic inequality, regional development, spatial modeling, statistical analysis, resilience, institutional factors , human capital, investment.

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Introduction

In the context of globalization and increasing economic integration, the socio-economic development of regions does not proceed at a uniform pace. At the level of the national economy, while some regions demonstrate rapid growth, others continue to lag behind in terms of production capacity, infrastructure development, employment opportunities and income levels[1]. This imbalance contributes to the persistence and in some cases the deepening of interregional economic disparities. Such disparities not only influence economic growth dynamics but also have a direct impact on social stability, internal migration patterns, and the overall quality of life of the population. Therefore, identifying regional imbalances, analyzing their underlying causes, and developing effective mechanisms for their reduction remain highly relevant research priorities.

In recent years, a number of policy measures and presidential decrees adopted in Uzbekistan have been specifically aimed at reducing regional disparities. A notable example is the Resolution of the President of the Republic of Uzbekistan dated March 18, 2021, “On Additional measures to promote industrial development in the regions and reduce regional disparities”[2]. This document outlines new approaches to regional policy and defines a set of measures to enhance the economic potential of territories. It emphasizes that reducing socio-economic disparities across regions is a key prerequisite for ensuring sustainable national development.

Furthermore, within the framework of the "Uzbekistan–2030 Strategy," particular importance is attached to expanding regional opportunities, narrowing development gaps, and improving the welfare of the population. The strategy prioritizes the advancement of innovation-driven and investment-based projects, as well as the modernization of infrastructure and service sectors, as essential tools for strengthening regional economies. Reducing interregional disparities is not only crucial for achieving greater economic equity, but also for fostering social stability and improving living standards [3]. In this regard, the efficient utilization of local resources and capacities, along with the strengthening of interregional cooperation, plays a strategic role in achieving balanced and sustainable development.

Interregional economic disparities refer to an economic condition that reflects differences in the level of economic development, production capacity, income levels, employment and infrastructure provision across regions within a country. These disparities are closely linked to regions' natural resource endowments, economic specialization, demographic structure, and institutional conditions. The emergence of regional disparities can be explained by a number of interrelated factors.

First, economic factors — such as the structure of production, the volume of investments and the level of entrepreneurial activity – play a crucial role in determining regional development. It is natural that regions with well-developed industrial and service sectors tend to exhibit higher levels of economic activity[4].

Second, infrastructural factors—including the development of transport, energy and communication networks—significantly influence the extent to which regional disparities either widen or diminish. Regions with well-developed infrastructure have a comparative advantage in attracting investments. In addition, demographic factors, particularly the distribution of labor resources across regions, the level of urbanization and migration processes, also serve as important drivers that can intensify regional development disparities.

The Presidential Decree of the Republic of Uzbekistan No. PF-143, dated September 23, 2024, "On taking measures to reduce poverty and improve the welfare of the population to a new stage," defines the consistent reduction of poverty and the improvement of living standards as key priorities of state policy in the context of sustainable economic growth. The decree acknowledges a significant decline in poverty rates during the period of 2019–2023 and sets a strategic target to reduce the poverty rate to 6 percent by the end of 2025.

The document provides for the introduction of comprehensive mechanisms for poverty reduction through increasing employment, promoting entrepreneurship, and improving social infrastructure across regions. Particular emphasis is placed on ensuring stable and high-income employment for the population, especially by equipping young people with modern professional and digital skills. Furthermore, strengthening social protection by expanding access to healthcare and social services is identified as a key priority in enhancing the overall welfare of the population[5].

Regional economics plays a crucial role in providing a deeper analysis of a country's economic development, identifying disparities between regions and ensuring the efficient utilization of economic resources. Since gaining independence, the economy of regions has been a key focus of attention in the Republic of Uzbekistan. Due to differences in natural, labor, transport and production resources across regions, their rates of economic development vary significantly.

In the overall economic growth of Uzbekistan, the city of Tashkent, Tashkent region, as well as Navoi, Fergana, Andijan and Samarkand regions occupy leading positions. At the same time, economic development in the Republic of Karakalpakstan, Surkhandarya and Syrdarya regions remains relatively slower [6].

Literature Review

Issues of regional economics have a long-standing tradition in global economic literature. Numerous prominent economists and scholars have extensively examined regional development, the allocation of resources, and both the positive and negative aspects of economic concentration. In particular, A. Marshall (1890), in his seminal work *Principles of Economics*, introduced the concept of "industrial districts," emphasizing that the spatial concentration of firms within specific regions can significantly stimulate regional economic development [7].

W. Isard (1956), the founder of the field of *Regional Science*, applied mathematical and statistical models to the study of regional economies. Through the analysis of interregional economic flows, he highlighted the interdependence between production centers and consumption markets. J. Friedman (1973), in his "core–periphery theory," argued that economic growth initially emerges in major urban centers and subsequently diffuses to peripheral regions. This theoretical framework remains highly relevant in the context of modern Uzbekistan.

Furthermore, P. Krugman (1991), in his theory of the *New Economic Geography*, analyzed the interaction between production, transport costs, and market size, thereby providing a modern mathematical foundation for the study of regional economics [8].

In addition, Gunnar Myrdal (1957), in his influential work *Economic Theory and Underdeveloped Regions*, challenged traditional economic theories by arguing that they are insufficient to explain the complex realities of underdeveloped regions. He emphasized that economic development is shaped not only by market mechanisms but also by a wide range of social, cultural, and historical factors. Myrdal further argued that developed regions tend to attract resources, while less developed regions fall further behind, implying that market forces alone cannot ensure regional equality[9].

Continuing his fundamental research on economic structures, Douglass North developed an analytical framework explaining how institutions and institutional change influence economic performance both in the short and long term. According to North, institutions emerge as a response to uncertainties inherent in human interactions and function as constraints designed to regulate these relationships. However, the impact of institutions on economic efficiency is not uniform: in some economies, institutions foster growth and development, while in others they contribute to stagnation. North primarily focuses on the nature of institutions and explains the role of transaction costs and production costs in their formation and evolution [10].

The approach applied by J. Borts, which remained influential until the mid-1960s and continues to be relevant today, emphasizes factors that enhance the productive capacity of an economic system. According to this perspective, regional growth is determined by the quantity and quality of natural resources, the availability and skills of labor resources, the stock of capital, and the level of technology. Many neoclassical growth models similarly suggest that regional disparities can be reduced through the reallocation of capital from highly developed regions—where returns on investment are relatively lower—to less developed regions with higher potential returns. Conversely, regions with lower wage levels tend to generate lower incomes, which leads to the migration of labor resources toward more developed regions [11].

Among Uzbek economists, a number of scholars have extensively studied regional economics, the efficient use of territorial resources, the investment environment, and employment issues. A. Vahobov (2022), in his work *Fundamentals of Regional Economics*, analyzes the natural, demographic, and production resources of each region and proposes a sustainable model of regional development. He argues that the establishment of "regional innovation centers" is essential for reducing interregional disparities. B.

Tursunov (2021), in his research, examines gross regional product (GRP) indicators across Uzbekistan's regions and identifies investment inflows as a key driver of economic growth. Sh. Mustafayev (2020), in his study *Strategic Directions of Economic Region Development in Uzbekistan*, highlights the role of industrial, transport, and energy infrastructure in regional policy.

Furthermore, B. Khodiev links the deepening of regional disparities to institutional factors, arguing that the quality of governance, legal frameworks, and the effectiveness of economic institutions vary across regions. As a result, market mechanisms function efficiently in some areas, while others experience economic stagnation. This perspective aligns closely with Douglass North's institutional theory. At the same time, in the works of Sh. Sh. Shodmonov, interregional economic disparities are explained by differences in regional economic potential and specialization. The author demonstrates that regions with highly developed industrial and service sectors tend to become "growth poles," which, in turn, contributes to widening disparities with less developed areas [12].

The synthesis of studies conducted by both foreign and domestic scholars on interregional economic disparities indicates that regional inequalities are not random phenomena, but rather the result of complex and multifactorial economic processes. Foreign researchers have primarily focused on theoretically substantiating the roles of core–periphery relationships, agglomeration effects, and the long-term impact of institutional structures. In contrast, Uzbek scholars have adapted these theoretical frameworks to national conditions, emphasizing factors such as employment, investment activity, infrastructure development, and regional governance through empirical analysis.

Materials and Methods

This study employs a comprehensive approach to analyzing interregional economic disparities, drawing on a combination of theoretical, statistical, comparative, and modern technological methods. Existing research indicates that regional disparities cannot be effectively addressed through market mechanisms alone. The effectiveness of public policy, the quality of institutions, and the distribution of human capital and labor resources are critical factors influencing regional inequalities. Additionally, regions with well-developed transport and production infrastructure tend to maintain more stable growth advantages.

Existing research confirms that it is difficult to eliminate regional disparities solely through market mechanisms. At the same time, the effectiveness of public policy and the quality of institutions have been identified as decisive factors in mitigating regional inequalities.

Results and Discussion

The uneven distribution of human capital and labor resources across regions may further deepen economic disparities. It is also observed that regions with well-developed transport and production infrastructure tend to possess a more stable growth advantage[13].

Moreover, globalization and technological progress create new opportunities for some regions, while simultaneously intensifying risks for others. Therefore, reducing interregional economic disparities requires a comprehensive and balanced policy approach.

It is also appropriate to include urbanization and globalization among the key factors contributing to regional economic disparities, as these processes are associated with the intensification of economic, cultural, political, and technological linkages between cities and countries. The following factors play a significant role in shaping the globalization of urbanization:

Table 1. Factors of urbanization and globalization and their impact on the economy.

Direction	Key Factors	Link with Urbanization	Impact on the National Economy
Economic Integration	International trade, global business	Large cities become centers of production and services; concentration of multinational companies	Increased economic activity, GDP growth, expansion of the service sector
Technological Development	ICT, digital platforms	Internet and digital technologies connect cities to global networks	Higher labor productivity, development of the digital economy
Cultural Globalization	Cross-cultural exchange	Cities become hubs of diverse cultures and lifestyles	Growth of the creative economy, diversification of services
Transport Infrastructure	Aviation, railways, ports	Transport networks accelerate intercity connectivity	Improved logistics efficiency, expansion of trade volumes
Migration Processes	Internal and external migration	Population moves to cities in search of jobs and better living conditions	Expansion of the labor market, creation of new jobs
Business Activity	Entrepreneurship, services	Urbanization creates new markets and consumers	Development of small businesses, increase in income sources
Investment Climate Improvement	Foreign and domestic investments	Major cities become attractive destinations for capital	Infrastructure development, acceleration of economic growth
Innovation Development	Science, technology, startups	Innovations spread more rapidly in urban areas	Increased competitiveness, creation of high value-added products
Risk of Economic Inequality	Income disparities	Urbanization may widen gaps between social groups	Increased social imbalance, need for government intervention
Environmental Pressure	Environmental stress	High population and industrial density intensify ecological problems	Rising public expenditures, need for sustainable development
Intensified Competition	Global markets	Competition between cities and countries becomes stronger	Improved product quality, relatively lower prices

The emergence of regional economic disparities cannot be explained solely by the processes of urbanization and globalization, but is also closely linked to a range of deeper structural, historical, and institutional factors. First, the historical development path and the inherited structure of production exert a strong influence on the current economic conditions of regions. Regions that were previously industrialized or functioned as major trade centers tend to maintain relatively high levels of economic activity even today.

Moreover, the quality of institutions and the effectiveness of regional governance represent key sources of interregional differences. In regions where the rule of law is weak, property rights are insufficiently protected, and local authorities demonstrate limited initiative, investment activity tends to remain low (North, 1990).

Moreover, fiscal policy and the allocation of budgetary resources across regions directly influence economic disparities. Concentration of state investments in certain regions limits the development opportunities of other areas. The efficiency of natural resource utilization is also a crucial factor, as resource-rich regions may fail to achieve the expected economic growth due to poor management (Sachs & Warner, 2001). Additionally, in regions with low social capital and limited regional cooperation, the business environment weakens, and economic activity becomes constrained. Therefore, understanding interregional economic disparities requires analyzing these factors as a complex, interconnected system.

Identifying economic, social, and infrastructural disparities between countries and regions, developing mechanisms to address them, and proposing effective strategies are among the most pressing tasks in this field. Recent research on regional development indicates that relying on a single method is insufficient. On the contrary, a comprehensive approach is required. Researchers increasingly employ approaches that combine theoretical analysis, statistical methods, comparative analysis, and modern technological tools[14].

In recent years, trends in assessing regional economic disparities have shifted toward approaches based on digitization, as well as principles of sustainability and resilience. For instance, as highlighted in the OECD's 2023 Regional Outlook report, practical toolkits have been developed to enhance regional policy, recommending the consideration of socio-ecological factors when evaluating economic growth (OECD, 2023) [14]. At the same time, new methods for regional market planning are being applied through big data analytics and artificial intelligence technologies, complementing traditional assessment methods (e.g., GDP comparisons) and enabling the measurement of dynamic distribution and high-quality development (Lin, 2024). According to the 2025 report on digital economy trends, the development of regional systems increasingly requires the application of evolutionary and institutional approaches to ensure ecological and social sustainability (DCO, 2025).

The existing approaches to assessing regional socio-economic disparities can be systematized into three main groups: spatial and statistical modeling approaches, comprehensive assessment methods that consider sustainability and resilience and approaches based on political and institutional factors.

Table 2. Approaches to assessing regional socio-economic disparities.

Approach	Description	Key Features / Methods	Examples / Applications	Insights / Findings
Spatial and Statistical Modeling	Focuses on geographic proximity and interregional economic interactions.	Spatial econometric models (e.g., Spatial Durbin Model), spatial autocorrelation, dynamic panel data analysis.	EU NUTS-2 regions (Panzera & Postiglione, 2022); India (regional growth differences); rural China (Zheng et al., 2021).	Income inequality may stimulate growth in less-developed regions; foreign direct investment can exacerbate disparities; spatial models improve accuracy of disparity assessment.
Comprehensive Assessment (Sustainability and Resilience)	Integrates economic, ecological, and social factors to evaluate long-term regional development.	Conceptual modeling, sustainability indicators, environmental sensitivity, population density, per capita investment.	West Kazakhstan region model (Medeu et al., 2025).	Policies ignoring environmental or social factors can negatively impact sustainable development; highlights long-term growth potential and resilience.
Political and Institutional Factors	Examines the role of institutions, governance, and access to resources in	Indicators beyond GDP, e.g., household income, access to financial services, institutional quality indices.	India's bank system development index (Arora & Anand, 2021).	Reveals institutional differences between regions; strengthens effectiveness of development strategies; emphasizes the need for

shaping disparities.	region-specific policy interventions.

Interregional socio-economic disparities are complex and multifaceted processes, and a single approach is insufficient for their assessment. A review of the literature indicates that spatial and statistical models are crucial for identifying interactions between regions[15]. At the same time, comprehensive assessment approaches based on sustainability and resilience reveal the long-term dimensions of economic development. Considering political and institutional factors further enhances the effectiveness of regional development strategies. Research findings underscore the necessity of tailoring regional policies to local characteristics, which in turn helps reduce disparities and promote sustainable economic growth.

Conclusion

In summary, economic disparities are characterized by unequal levels of economic development across regions, sectors, or social groups. These disparities manifest in production capacity, income distribution, and employment opportunities. At their core, economic inequalities are closely linked to the uneven distribution of resources and opportunities. Key factors influencing these disparities include the volume of investments, the development of infrastructure, and regional competitiveness. Additionally, human capital, quality of education, and the availability of skilled labor can either exacerbate or mitigate these gaps. The institutional environment and governance efficiency also have a direct impact on economic imbalances. Transport and logistics capabilities determine the integration of regions into markets, while social capital and the degree of regional cooperation stimulate economic activity. External economic factors and global processes further shape the formation of disparities. Therefore, reducing economic inequalities requires a comprehensive and systematic approach.

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