ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-515-x, Impact Factor: 9.23
American Academic publishers, volume 6, issue 01,2026

Journal: https://www.academicpublishers.org/journals/index.php/ijai

THE INTERACTION OF STATE AND MARKET MECHANISMS IN THE FORMATION OF AN INNOVATIVE ECONOMY

Hulkar Umidulloyevna Umarova
Lecturer, Asia International University

Abstract: This article examines the role of the regions of the Republic of Uzbekistan in creating an institutional environment, supporting innovation, and stimulating research and development activities, as well as the influence of market mechanisms—competition, supply, and demand—on innovation processes. The significance of cooperation between the state and the private sector in innovative development is highlighted, and the theoretical and practical aspects of maintaining a balance between state regulation and market freedom for the sustainable development of an innovative economy are revealed.

Keywords: innovative economy, state mechanisms, market mechanisms, public–private partnership, support for innovation, competitive environment, research and development activity.

Under current conditions of modern development, an innovative economy is becoming a key factor in ensuring economic growth and competitiveness. Scientific and technological progress, digital technologies, and production systems based on new knowledge play a decisive role in the sustainable development of countries. In this process, the formation of an innovative economy is closely linked not only to market forces but also to effective economic policies implemented by the state.

The state performs important functions by creating a favorable institutional environment for innovative activity, supporting research and experimental development, and developing infrastructure. Market mechanisms, in turn, accelerate the practical implementation of innovations through competition, supply and demand, and entrepreneurial initiatives. Therefore, the harmonious interaction between state and market mechanisms is one of the main conditions for the effective formation of an innovative economy.

An innovative economy is a model of economic development in which science, new knowledge, technologies, and innovations serve as the main driving forces. In such an economy, the creation of new products and services, their rapid implementation, and the achievement of high value added are of primary importance. The creation of new knowledge related to research and development, its dissemination, and its practical application become increasingly decisive factors in innovative economic development.

An innovative economy contributes to ensuring long-term economic growth, increasing global competitiveness, and improving social welfare. The interaction between state and market mechanisms plays a crucial role in the formation of an innovative economy. In this process, the state and the market act as complementary forces, and their coordinated activities accelerate innovative development.

The formation of an innovative economy is a complex and multifaceted process that requires close cooperation between state and market mechanisms. In this context, the state performs strategic guidance and regulatory functions, while market mechanisms act as the main driving force in the creation, dissemination, and commercialization of innovations.

ORIGINAL ARTICLE
INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE
ISSN: 2692-515-x, Impact Factor: 9.23
American Academic publishers, volume 6, issue 01,2026
Journal: https://www.academicpublishers.org/journals/index.php/ijai

The state shapes the institutional and legal environment necessary for an innovative economy. By adopting laws regulating innovative activity, protecting intellectual property rights, and providing tax and financial incentives, the state encourages innovation. In addition, by financing research and experimental development, improving the education system, and creating innovative infrastructure such as technoparks, incubators, and innovation clusters, the state establishes a solid foundation for the activities of market participants.

Market mechanisms play a decisive role in the practical implementation of innovations. A competitive environment encourages enterprises to develop new products and technologies, while supply and demand determine the economic efficiency of innovations. Entrepreneurial initiatives, private investment, and venture capital markets accelerate the development of innovative projects. The flexibility of market mechanisms enables rapid testing and widespread adoption of innovations.

At the same time, the state strengthens human capital by developing education and training systems. An innovative economy relies on knowledgeable, skilled, and creatively thinking professionals. Therefore, supporting higher education institutions, research centers, and scientific institutes is one of the priority areas of state policy. The development of innovative infrastructure—such as technoparks, business incubators, start-up centers, and innovation clusters—is also carried out with active state participation. Market mechanisms, in turn, determine the efficiency of innovation processes. A competitive environment forces enterprises to continuously innovate, otherwise they risk losing their position in the market. The supply and demand mechanism identifies which innovations are economically viable. The private sector, especially small and medium-sized enterprises, plays an active role in the rapid implementation and market adaptation of innovations.

In recent years, the development of an innovative economy has become one of the priority areas of state policy in Uzbekistan. Particular attention has been paid to creating an innovative environment through the harmonization of state and market mechanisms.

To support innovative activity, the state has established specialized institutions. In particular, the Ministry of Innovative Development, whose functions are currently continued within other state structures, has played an important role in financing research activities, start-up projects, and innovative initiatives. Through state grants and subsidies, fundamental and applied research has been supported, creating a foundation for the development of new technologies required by the market.

In conclusion, the interaction between state and market mechanisms is most clearly manifested in the form of public–private partnerships. Such cooperation facilitates the sharing of innovation-related risks, the commercialization of scientific developments, and the implementation of strategically important projects. As a result, the innovative economy develops sustainably, and the country's economic potential and global competitiveness increase. The experience of Uzbekistan shows that the successful formation of an innovative economy is achieved through favorable conditions created by the state combined with the effective functioning of market mechanisms. This interaction plays an important role in ensuring sustainable economic development.

For example, in the information technology sector, the activity of the private sector has increased significantly. Tax and customs incentives provided for IT Park residents represent

ISSN: 2692-515-x, Impact Factor: 9.23
American Academic publishers, volume 6, issue 01,2026
Journal: https://www.academicpublishers.org/journals/index.php/ijai

favorable conditions created by the state, while private companies have used these opportunities to develop software products, digital services, and start-up projects. As a result, exports of IT services have expanded and new jobs have been created. Another practical example can be found in the agricultural sector. The state has developed programs to introduce digital technologies, apply water-saving innovative technologies, and support scientific developments. Market mechanisms have encouraged farmers and entrepreneurs to choose highly efficient innovations. As a result, productivity has increased and the efficiency of resource use has improved.

References:

1. O‘zbekiston Respublikasi “ Innovatsion faoliyat to‘g‘risi”dagi Qonun. Toshkent 2020 y
2. O‘zbekiston Respublikasi Prezidentining “ O‘zbekiston Respublikasini innovatsion rivojlantirish strategiyasi to‘g‘risi”dagi Farmon. Toshkent 2018y
3. Shodmonov, S., & Alimov, R. “Iqtisodiyot nazariyasi”. Toshkent2019 y.
4. Vahobov, A., & Tojimuhamedov, D “ Innovatsion iqtisodiyot asoslari” 2020y Toshkent
5. To‘xtasinov, B. “ O‘zbekistonda innovatsion siyosatning institutsional asoslari”. Milliy iqtisodiyot jurnali, 2020y
6. Toshov, M. H., & Bobojonova, M. D. (2025). RAQAMLI IQTISODIYOTNI SHAKLLANTIRISH. *Modern Science and Research*, *4*(4), 622-628.
7. Алимова, Ш. А. (2025). РОЛЬ НАЛОГОВОЙ ПОЛИТИКИ В СТИМУЛИРОВАНИИ РЕГИОНАЛЬНОГО РАЗВИТИЯ: ОПЫТ УЗБЕКИСТАНА. *Modern Science and Research*, *4*(5), 52-57.
8. Sodiqova, N. (2025). METHODOLOGY FOR DEVELOPING STUDENTS'TECHNICAL THINKING IN ECONOMICS LESSONS. *Journal of Multidisciplinary Sciences and Innovations*, *1*(3), 674-678.
9. Supiyevna, B. M. (2025). FOREIGN EXPERIENCE OF BANK CREDIT IN FINANCIAL SUPPORT OF SMALL BUSINESSES. *NEW UZBEKISTAN, NEW JOURNAL OF RESEARCH*, *2*(9), 715-721.
10. Mahmudovna, Q. G. (2025). Indicators for assessing the competitiveness of educational institutions. *Multidisciplinary Journal of Science and Technology*, *5*(6), 1956-1959.
11. Qayumovna, J. Z., Ne’matovna, R. N., & Azizovna, P. A. FAVORABLE INVESTMENT CLIMATE FORMATION ISSUES FOR ATTRACTING ACTIVE INVESTMETNS. *GWALIOR MANAGEMENT ACADEMY*, *29*.
12. Bahodirovich, K. B., & Mahmudovna, Q. G. (2025). RISK REGULATION IN BANKING SYSTEM. *MODERN EDUCATIONAL SYSTEM AND INNOVATIVE TEACHING SOLUTIONS*, *1*(5), 231-237.
13. Shadiyev, A. X. (2025). IMPROVING THE ORGANIZATIONAL MECHANISM FOR REGIONAL SOCIO-ECONOMIC DEVELOPMENT. *SHOKH LIBRARY*.

ISSN: 2692-515-x, Impact Factor: 9.23
American Academic publishers, volume 6, issue 01,2026
Journal: https://www.academicpublishers.org/journals/index.php/ijai

14. Ikromov, E. (2025). FISCAL POLICY: TOOLS AND CHALLENGES FOR ECONOMIC STABILIZATION. *Journal of Applied Science and Social Science*, *1*(4), 287-290.

15. Azimov, B. (2025). INNOVATIVE INFRASTRUCTURE EFFICIENCY ASSESSMENT INDICATORS AND THEIR DEVELOPMENT STAGES. *International Journal of Artificial Intelligence*, *1*(4), 827-832.

16. Bustanovna, J. Z. (2025). METHODOLOGY FOR ASSESSING THE EFFECTIVENESS OF AN ORGANIZATION'S MARKETING STRATEGY. *SHOKH LIBRARY*.

17. Naimova, N. (2025). THE CONCEPT OF A MANAGER, THE ESSENCE OF PERSONAL AND PROFESSIONAL CHARACTERISTICS, AND THEIR CLASSIFICATION. *International Journal of Artificial Intelligence*, *1*(4), 950-954.

18. Bobojonova, M. (2025). MARKETING IN THE GREEN ECONOMY: STRATEGIES, TRENDS, AND IMPACTS. *International Journal of Artificial Intelligence*, *1*(4), 1401-1404.

19. Ibragimov, A. (2025). IMPROVING INVESTMENT AND INNOVATION STRATEGIES IN THE LEATHER AND FUR INDUSTRY. *International Journal of Artificial Intelligence*, *1*(4), 938-941.

20. Djurayeva, M. (2025). ADVANCING COMMERCIAL BANKING THROUGH INNOVATIVE APPROACHES. *International Journal of Artificial Intelligence*, *1*(4), 1125-1128.

21. Umarova, H. (2025). PROCESSES TO IMPROVE LIVING CONDITIONS AND ENSURE EMPLOYMENT OF THE POPULATION IN RURAL AREAS IN UZBEKISTAN. *Journal of Applied Science and Social Science*, *1*(3), 213-217.