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ECONOMIC MECHANISMS AND MARKET PRINCIPLES OF LAND PLOT  
PRIVATIZATION

Idiyeva Xadicha Faxridinovna

*Teacher-Trainee, Bukhara State Technical University*

Usmanova Dilnoza Voxidovna

*Master degree, Bukhara State Technical University*

Sharipova Bahor Xurshiddin qizi

*Student, Bukhara State Technical University Email:iidiyeva7@gmail.com*

**Annotation:** *This article analyzes the economic mechanisms, market principles, and modern models of land plot privatization. It examines the efficient allocation of land resources, the formation of an investment climate, and the impact of property rights guarantees on economic growth.*

**Keywords:** *land resources, land plot, privatization process, property rights, economic mechanism, market principles, land market, supply and demand, land valuation, investment climate, institutional reforms, digital cadastre, auctions, economic efficiency, land rent, mortgage mechanism, infrastructure, capitalization, state ownership, private sector, resource allocation, competition, tax policy, economic growth, investment attractiveness, economic stability.*

## INTRODUCTION

Land, as one of the fundamental resources of the economic system, holds strategic importance in the development of any state. In the context of a modern market economy, the clear definition of property rights to land plots and their inclusion in free economic circulation constitute an important institutional factor.

The process of land privatization involves not only a change in ownership form, but also the implementation of economic mechanisms aimed at increasing the efficiency of resource use. Through this process, land is incorporated into economic circulation as capital, thereby stimulating investment activity.

Land relations formed on the basis of market principles are regulated through the balance of supply and demand, a competitive environment, and a system of free price formation. As a result, the level of economic interest and responsibility in the use of land plots increases.

The strength of private property rights provides stable guarantees for investors and expands opportunities for the implementation of long-term projects. At the same time, the development of the land market contributes to increasing state budget revenues and accelerating regional development.

**State of the Problem:** Although the process of land plot privatization is an important component of economic reforms, a number of challenges remain in ensuring its effectiveness. First of all, the mechanisms for determining the economic value of land resources do not always fully correspond to market conditions. As a result, situations may arise where land prices are formed artificially or deviate from their real market value.

Furthermore, the insufficient legal protection of property rights negatively affects investor confidence. The lack of clear delineation of the rights to possess, use, and dispose of land creates uncertainties in economic relations. In some cases, the incompleteness and lack of transparency of cadastre data hinder the effective functioning of the land market.

The insufficient development of market principles is also one of the key challenges. The limited functioning of supply and demand mechanisms hinders the optimal allocation of resources. In conditions of restricted competition, land plots may become concentrated in the hands of economically inefficient entities. This, in turn, may lead to the unfair distribution of land rent.

To address this problem, it is necessary to widely implement open and transparent auction mechanisms in the sale of land plots. Improving market-based valuation systems, developing the institution of independent appraisers, and expanding digital trading platforms will contribute to the natural balance of supply and demand. At the same time, the openness and reliability of cadastre data will ensure transparency in the price formation process.

By strengthening the competitive environment, land resources will be directed toward economically efficient entities, contributing to increased production volumes and the creation of added value. The development of institutional infrastructure—particularly the expansion of credit and investment mechanisms—will ensure the stable functioning of the land market.

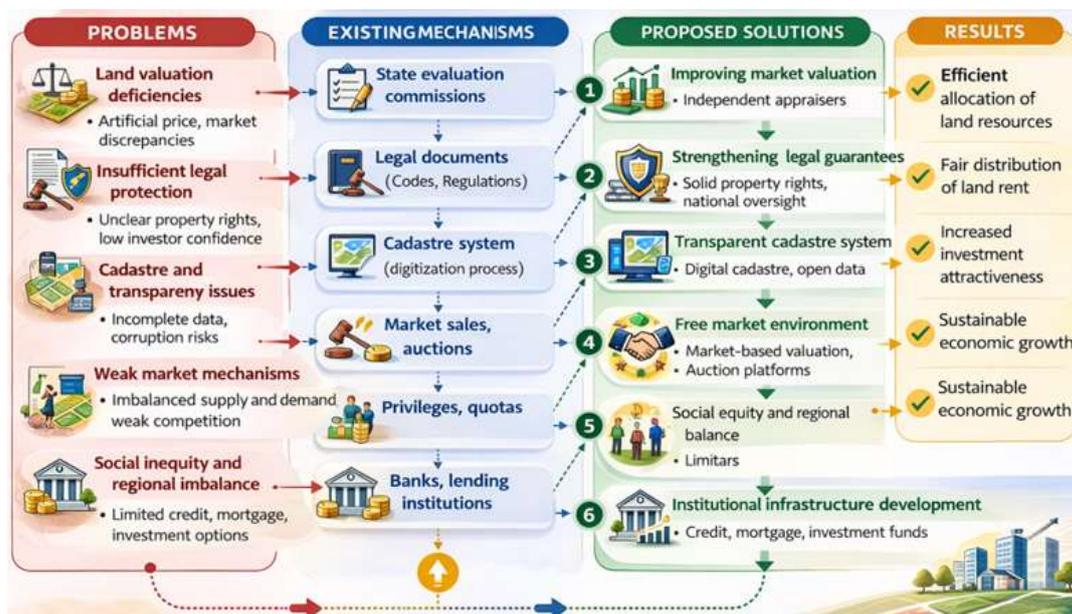


Figure 1. Mechanisms for Enhancing the Efficiency of Land Plot Privatization

As a result, the fair distribution of land rent, increased investor confidence, and the necessary conditions for sustainable growth of the national economy will be established.

Another pressing issue is ensuring social equity and regional stability in the process of land plot privatization. If the process is implemented without economically grounded mechanisms, it may lead to increased land concentration and reduced opportunities for small business entities.

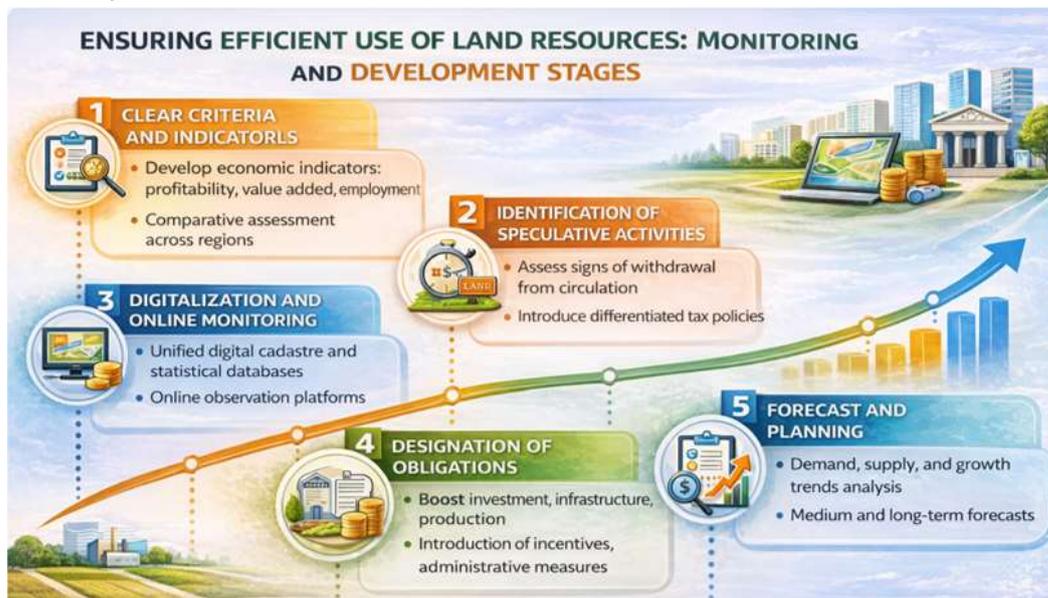
Moreover, the insufficient development of the institutional infrastructure of the land market hinders the full functioning of credit, mortgage, and investment mechanisms.

Another aspect of the problem is that the system for monitoring the efficient use of land after privatization is not always sufficiently effective. As a result, some land plots may be retained for speculative purposes or withdrawn from economic circulation. This situation can negatively affect the overall growth rates of the national economy.

This aspect of the problem necessitates a thorough analysis of the mechanisms for assessing and monitoring the efficiency of land resource utilization. Therefore, at the next stage of the article, it is advisable to improve the analytical approach based on the following directions:

First, it is necessary to develop clear criteria and indicators for assessing the efficiency of land plot utilization. In this regard, economic indicators such as land profitability, tax revenue volume, value added created, employment levels, and investment activity should be systematically examined. During the analysis, the use of a comparative assessment method across regions will make it possible to determine the real economic efficiency of land resources.

Second, it is necessary to improve mechanisms for identifying and assessing speculative activities in the land market. In particular, situations where a land plot remains undeveloped for a certain period or is not engaged in production or service activities may be considered as indicators of withdrawal from economic circulation.



In such cases, the introduction of differentiated tax policies or review mechanisms could serve as effective instruments.

Figure 2. Ensuring Efficient Use of Land Resources: Monitoring and Development Stages

Third, the digitalization of the institutional monitoring system is of crucial importance. Digital cadastre data, online monitoring platforms, and open statistical databases make it possible to analyze the use of land plots in real time. This increases transparency and strengthens trust between investors and public authorities.

Fourth, it is necessary to clearly define post-privatization obligations. Monitoring the fulfillment of conditions related to investment, infrastructure development, or the establishment of production activities ensures the active participation of land in economic



circulation. In this process, the combination of economic incentives and administrative measures plays a crucial role.

Fifth, it is advisable to introduce a forecasting stage based on the results of the analysis. Developing medium- and long-term economic forecasts grounded in land market trends, supply and demand dynamics, and regional development indicators will support the strategic planning of land policy.

Thus, the process of land plot privatization should not be limited solely to the transfer of property rights; it is essential to establish a comprehensive system for analyzing and monitoring the efficiency of post-privatization land use. This approach enhances the active participation of land resources in economic circulation, reduces speculative factors, and contributes to ensuring sustainable growth rates of the national economy.

Conclusion: The process of land plot privatization, as one of the key directions of economic reforms, plays a significant role in the development of the national economy. The research findings indicate that, in order to ensure the efficient circulation of land resources based on market principles, legal, institutional, and economic mechanisms must function in a coordinated and integrated manner.

Within the current system, issues such as land valuation, protection of property rights, transparency of cadastre data, and the insufficient development of a competitive environment remain significant challenges.

Moreover, the imperfection of monitoring mechanisms over land use in certain cases leads to the emergence of speculative practices. This may result in land resources being withdrawn from economic circulation and a slowdown in overall growth rates.

Therefore, in developing the land market, it is essential to introduce open and transparent auction mechanisms, improve the institution of independent valuation, and further develop the digital cadastre system.

To enhance the efficiency of land resource utilization, it is necessary to establish a monitoring system based on clear criteria and indicators. Accelerating digitalization processes, expanding online monitoring platforms, and ensuring the openness of statistical data will increase transparency and strengthen investor confidence.

The development of institutional infrastructure—particularly the expansion of credit and investment mechanisms—will ensure the stable functioning of the land market. In general, improving the process of land plot privatization should not be limited solely to the transfer of property rights; it must also ensure efficient land use, the formation of a competitive environment, and the preservation of social justice principles.

Reforms implemented on the basis of a comprehensive approach will contribute to the optimal allocation of land resources, the fair formation of land rent, and the sustainable, long-term growth of the national economy.

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