

THEORETICAL AND PRACTICAL ASPECTS OF ATTRACTING DIRECT INVESTMENT: METHODS AND MECHANISMS

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Abstract

The article creating a positive investment climate should not be interpreted as a key process in the globalization of the economy, and as a result, the expansion of access to investment resources, which in turn will increase competition among investors. If we want to increase the volume of foreign investment, it is necessary to increase the investment potential of enterprises, regional conditions and conditions to a more acceptable and higher level than others (competitors), as well as to stimulate domestic (national) investment. We need to focus on ensuring that it is holistic.

Keywords: Investment attractiveness, investment potential, investment policy, investment climate, foreign investment, investment potential, recipient, donor, investment attraction mechanism, investment flow.

Introduction

As a result of increasing competition for attracting financial resources in the world, serious attention is being paid to improving the investment environment in countries, their regions, relevant sectors and industries of the economy. Today, “Foreign direct investment flows return to pre-pandemic levels in 2022 and amounted to 1.6 trillion US dollars. At the same time, the scope of cross-border transactions and financing of international projects has expanded dramatically.

However, the recovery in the investment climate in developing countries remains weak. The current turbulent socio-political situation in the world, food, fuel, financial crises and the ongoing COVID-19 pandemic and climate change are further increasing the stress in the investment environment.

It is known from the experience of developed and developing countries in the world that one of the main criteria for attracting investments to regions is to improve the investment environment, ensure its attractiveness, and develop the business environment by conveniently locating production infrastructure networks and production forces in the regions. As a result of the research, the issues of ensuring investment attractiveness, prevention of regional unemployment, acceleration of international trade, and wide use of the potential of the scientific and production sector in the modernization of economic sectors through foreign direct investments have been resolved. However, due to the fact that a single approach to



attracting foreign investments has not been developed, it is important to carry out comprehensive research on this issue.

The analysis of the socio-economic changes taking place in our country shows that the modernization of the economy and the role of active investment policy are very important in the achievements and successes. Accordingly, it is important to create an effective system for managing the socio-economic development of the regions of the republic, to study the theoretical and methodological basis for assessing the attractiveness and potential of their investment climate. In this regard, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved by Presidential Decree on February 7, 2017. According to him, the third priority is the further development and liberalization of the economy, which aims to actively attract foreign investment in the sectors and regions of the economy by improving the investment climate [1].

2. Literature Review

Considering the factors influencing the formation of a favorable investment climate in the country/region, it should be noted that the integration of the state into the world community in terms of investment attractiveness is crucial. The strategy of raising the country's investment profile is important for attracting foreign direct investment [2].

Interpretation of "investment potential" as a set of investment resources, consisting of part of the accumulated capital, expressed in the form of investment demand in the investment market, which has the potential to become a real investment demand that meets the material, financial and intellectual needs of capital reproduction reaches [3].

In particular, the most important factors for assessing the investment potential of a country/region are: resource - raw materials (averaged supply of the main types of natural resources); production (total output of farms in the region); consumption (purchasing power of the population of the region); infrastructure (economic and geographical location of the region and its infrastructure); intellectual (level of education of the population); institutional (level of development of leading institutions based on a market economy); innovative (the degree of implementation of the achievements of scientific and technological development in the region). It should be noted that investment potential is one of the criteria for classifying regions [4].

The attractiveness of the investment climate, the economic development of each region depends on the potential of capital, labor resources and the level of their use. It is generally accepted that the economic potential of a region and its potential is determined by the production of vital goods through the efficient use of all the complex resources available there [5].

3. Research methodology.

Economic research methods such as data collection, analysis, synthesis, and logical thinking have been widely used to enhance the country's investment attractiveness.



4. Analysis and discussion of results.

Information was given on which country has the highest share of foreign investments in Uzbekistan. In January-September 2022, the volume of investments in fixed capital in Uzbekistan amounted to 190 trillion soums. According to the information of the State Statistics Committee, the total amount of foreign investments and loans absorbed into the main capital was recorded in the amount of 72 trillion soums. Among the investor countries with the highest share in the volume of foreign investments and loans, Russia took the first place with 21 percent. This indicator is in the section of the remaining countries: China 19.9%, Turkey 10.4%, Germany 6.5%, Saudi Arabia 4.6%, Italy 3%, Cyprus 2.7%, Switzerland 2.6%, Great Britain 2.1 percent, USA 1.8 percent [6].

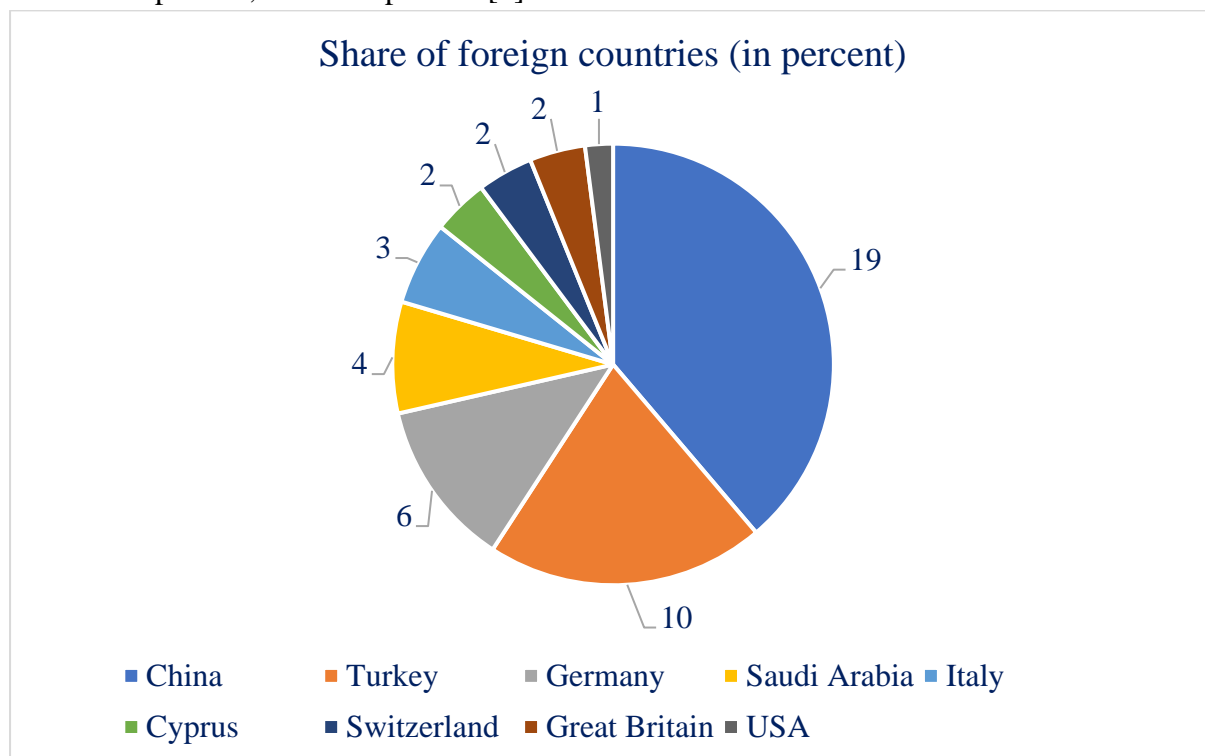


Figure 1. The share of foreign countries in the volume of foreign investments in Uzbekistan (in percent) [7]

Investment environment is widely used concept that covers all the issues that an investor should consider. The investor evaluates the advantages and disadvantages of investing in a particular country, as well as the ideology, policy, economy and culture of the country in which he intends to invest his capital [8].

Table1. Capitalized investments [9]

Areas	growth rate %		
	2020	2021	2022
Republic of Uzbekistan	95,6	102,9	105,0
Republic of Karakalpakstan	69,9	105,1	118,9

Andijan	110,6	106,0	114,6
Bukhara	104,7	147,4	98,5
Jizzakh	147,4	72,4	106,9
Kashkadarya	76,5	77,8	96,0
Navoi	77,1	86,0	105,9
Namangan	88,0	100,5	102,0
Samarkand	128,8	98,7	122,5
Surkhandarya	77,4	109,7	100,6
Syr Darya	111,2	107,7	127,6
Tashkent	92,2	120,3	102,4
Ferghana	113,5	105,7	112,4
Khorezm	92,7	139,3	108,7
Tashkent city	108,6	105,0	97,6

The issue of creating a positive investment climate should not be interpreted as a key process in the globalization of the economy, and as a result, the expansion of access to investment resources, as well as increased competition among investors. If we want to increase the volume of foreign investment, of course, to create a more favorable and high level of investment climate and regional conditions than others (competitors), as well as it is needed to focus on ensuring to stimulate domestic (national) investment which is risk-free [10].

In the current socio-economic environment, the inflow of investment depends on the development of innovative industries and the development of innovative entrepreneurship, the investment climate and the investment mechanism.

Studies show that if the investment climate is good, on the one hand, it will increase domestic investment, and on the other hand, it will increase savings in relation to consumption as part of the planned expenditures. This is a guarantee of high economic growth.

Table 2. Fixed capital investment per capita [11]

thousand soums

Areas	2020	2021	2022
Republic of Uzbekistan	6140,3	6861,0	5345,2
Republic of Karakalpakstan	3710,0	4189,2	3602,5
Andijan	3047,2	3470,1	2969,8
Bukhara	6295,0	10462,9	7936,7
Jizzakh	8984,7	6470,7	5140,0
Kashkadarya	6214,7	5148,2	3397,1
Navoi	15604,2	14672,4	12480,2

Namangan	4229,2	4477,8	3473,4
Samarkand	3746,0	3920,7	3837,5
Surkhandarya	3792,2	4438,7	3074,8
Syr Darya	8425,4	9257,1	9618,2
Tashkent	7169,0	9644,5	7774,1
Ferghana	2916,0	3272,3	2729,9
Khorezm	2868,2	4344,3	3503,2
Tashkent city	19065,6	20619,8	14167,6

The socio-economic development of the Republic of Uzbekistan and its becoming one of the most competitive countries in the world is closely linked with the investment policy of the country, the region and its economic sectors, as well as the investment attractiveness of individual enterprises. It should be noted that the state's investment policy includes a set of measures to develop the country's priority sectors of the economy and the transition to decentralized investment processes in the process of centralized investment. This, in turn, means reforms aimed at increasing the investment attractiveness of the country, which is the basis for creating a favorable investment climate for investors, who play an important role in attracting various investments [12].

Attracting and fully absorbing foreign direct investment contributes to the growth of employment and living standards in the country. Over the past few years, Uzbekistan has undergone rapid economic transformation and is increasingly emerging in the international community as one of the symbols of openness, renewal, and resilience in overcoming various barriers to business and investment. The state of the investment climate is important not only for the recipient investor but also for the donor investor [13].

5. Conclusions and Suggestions

Summarizing the above analysis and considerations, it should be noted that in the context of intensifying modernization processes, the state's medium and long-term investment strategy should focus on the following tasks:

1. The proposal to reduce the project value set for a major investment project to at least 5 million US dollars equivalent and at least 10% of the project value to be placed in the account to at least 1%, according to the President of the Republic of Uzbekistan No. PF-111 of July 21, 2023 "Investments, industry within the framework of administrative reforms and used in the development of the Decree "On measures for the effective organization of state administration in the field of trade".
2. Encourage investment through the development of public-private partnerships and project financing tools to increase investment attractiveness and accelerate the growth of investment in infrastructure, which is one of the key factors for sustainable economic growth;
3. Optimizing the relationship between investors and the state to completely eliminate bureaucratic barriers and restrictions in the implementation of investment projects through digitalization and remote provision of public services;



4. Improving the activities of the direct investment fund, including the proposal to give the fund the right to own up to 49% of the charter fund of the "Holding companies" according to the President of the Republic of Uzbekistan dated December 30, 2021 PQ-72 "Approval of the investment program for 2022-2026 and was used in the development of the decision on the introduction of new approaches and mechanisms of investment project management.

As a result of the implementation of this proposal, a total of more than 12 billion US dollars of foreign investment, including 9.5 billion US dollars of direct foreign investment, will be absorbed in 2022, as a result of which 282 large and more than 9 thousand regional projects will be implemented, and more than 263 thousand jobs will be created. seats and export volume reached 14 billion US dollars.

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