

WAYS OF UPGRADING THE ATTRACTION OF FOREIGN INVESTMENT

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ABSTRACT

The article is dedicated to the analyze of the best ways by which we can increase the attraction of foreign investment in the economy. The importance, tasks and advantages of foreign investments in the further development of the country's economy are discussed in it. Today special attention is paid to the issue of effective implementation of an active investment policy in our country.

KEYWORDS: *Digital Economy, Investment Policy, Foreign Investment, Inflation, Macroeconomic Stability, Investment Climate, Gross Domestic Product, Innovation, Financial Market, Entrepreneur, Financial Policy, Reinvestment, Enterprises, Dividends.*

INTRODUCTION

In accordance with the legislation of Uzbekistan, investments are tangible and intangible assets and rights to them, including rights to intellectual property objects, as well as reinvestments, which are invested by the investor in the social sphere, entrepreneurship, scientific and other types of activities on the basis of risks for the purpose of profit.

Also, investment is an important factor in the development of the country's economy. In other words, investment is the driver of the economy, or rather the heart of the economy. The main task to be considered is to increase, expand and improve the attraction of foreign investments to the country's economy, to provide investors with more complete information about the country's economic opportunities and potentials, to improve the coordination of the activities of state and economic management bodies, local executive authorities in the field of attracting and utilizing foreign investments. Therefore, it is vital to conduct an active investment policy in order to upgrade the investment attractiveness of the economy and achieve sustainable economic growth. All countries of the world, regardless of the level of economic development, are interested in attracting foreign investments to their national economy. The need for foreign investments in the economy of Uzbekistan is also rising. Implementation of structural reconstruction of our country's economy is inextricably linked with active investment policy.

The world experience shows that the volume of investments entering the economy of countries receiving foreign investments directly depends on the investment environment created there. The investment environment is largely determined by factors such as the state's foreign investment

policy and state regulation of foreign economic activity, the level of development of the currency, finance and credit system. In our country, the policy of “open doors” for foreign investments, which ensures the attraction of modern technologies and the release of competitive products to the world market, is actively being carried out.

Clear examples of it can be the proclamations of the following legislations: Law of the Republic of Uzbekistan “On Investments and Investment Activity” adopted on December 25, 2019[1], Resolution of the President of the Republic of Uzbekistan “On Organization of the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan” adopted on January 28, 2019[2]. Following them, the Cabinet of Ministers established the Foreign Investment Attraction Agency under the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan. In addition to this, the Decree of the President of the Republic of Uzbekistan called “On measures of implementing the investment program of the Republic of Uzbekistan for 2023-2025” was adopted on December 28, 2022[3].

As President Sh.M.Mirziyoyev pointed out, in 2023, as a result of the large-scale and effective reforms, the volume of the gross domestic product has exceeded 80 billion dollars for the first time. 8 billion dollars of direct foreign investments has been directed to our economy this year, and the export value reached 19 billion dollars. Such great results have never happened before. For the sustainable development of our economy, we need 25-30 billion dollars of investment in the energy sector. This can only be achieved by attracting private investment. Therefore, for the last three years, direct investments of 8 billion dollars have been attracted to the sector. We will further improve the conditions for increasing local and foreign private investments in the economy. In the last six years, we have managed to increase the volume of investments from 30 percent of the gross domestic product[4].

Literature review

The world’s leading economists have different opinions about investments and attracting investments to the economy. For example, the great English economist D.M.Keynes in his famous book “The General Theory of Employment, Interest and Money” emphasized that investments play an important role in creating effective demand. He determined that investments can be increased through monetary or budgetary policies. According to scientists, it is possible to manage foreign investment flows by changing the interest rate: if the interest rate is lowered, the amount of foreign debt will increase, if the interest rate is increased, it will decrease. A characteristic feature of Keynes’s concept is that it is necessary to lower the national currency rate in order to increase the expansion of goods, influence the price and stabilize the country’s balance of payments. According to Keynes, it is necessary to control the external debt of the state by the official organization by influencing the macroeconomic processes in the national economy. Keynes’s theory served as the basis for many theories of the present day. In particular, the concept of portfolio balance, which implies that capital movements are carried out in the form of portfolio investments, originates from Keynes’s theory[5]. In our opinion, it is necessary to fully understand, understand, study and analyze the ongoing reforms to attract investments to the country’s economy.

Research methodology

As a methodology of the research, economic laws related to investment activities, opinions of economists, analysis of investments attracted to the economy have been used. Observation, comparison, theoretical and practical study and statistical analysis methods have also been used in this process. The analyzed data and indicators related to investments have been obtained from official sources.

Analysis and Results

Needless to say that in recent years an active investment policy has been carried out in our country, investments, primarily foreign direct investments, have been directed to economic sectors and regions, and effective mechanisms have been introduced and consistently implemented to provide practical assistance to entrepreneurs and investors from all sides.

President Shavkat Mirziyoyev in his Address to the Senate and the Legislative Chamber of the Oliy Majlis declared the year 2023 as the “Year of attention to people and quality education” in our country. It has been determined to focus mainly on supporting education, which is the biggest investment for New Uzbekistan in this year. In 2022, 1.5 trillion soums were allocated to science and innovation in our country. This means that the amount was almost 6 times more than in 2017. The salary of scientists has also been increased by 4.5 times. Due to all this, 18 new scientific directions, such as nano and biotechnologies, digital geology, have been established. In 2023, 1.8 trillion soums will be allocated to science and innovation. Taking this into account, our scientists should show clear results in areas that are relevant for us today, such as water and energy conservation, soil fertility and productivity, geology, industry, and construction.

TABLE 1 FIXED CAPITAL INVESTMENT PER CAPITA¹ (THOUSAND SOUMS)

Areas	2017	2018	2019	2020	2021	2022
Republic of Uzbekistan	2227,8	3769,6	5834,6	6140,3	6861,0	7468,6
Republic of Karakalpakstan	1542,2	3641,1	4644,4	3710,0	4189,2	5225,5
Andijan	999,6	1550,3	2406,0	3047,2	3470,1	4361,1
Bukhara	6254,2	5112,4	5429,3	6295,0	10462,9	10855,5
Jizzakh	1361,9	2693,9	5778,9	8984,7	6470,7	7107,9
Kashkadarya	3583,4	5193,4	7534,6	6214,7	5148,2	4647,7
Navoi	4185,4	10892,1	17855,2	15604,2	14672,4	17189,8
Namangan	1340,3	2992,5	4344,1	4229,2	4477,8	4984,4
Samarkand	1189,4	1878,3	2674,9	3746,0	3920,7	4642,5
Surkhandarya	1427,1	2848,3	4552,8	3792,2	4438,7	4169,4
Syr Darya	2011,1	3280,2	7002,9	8425,4	9257,1	13919,1
Tashkent region	2087,2	3898,4	6970,0	7169,0	9644,5	12056,8
Ferghana	822,4	1516,8	2336,2	2916,0	3272,3	3917,2
Khorezm	1215,1	1655,6	2718,4	2868,2	4344,3	4517,9

Tashkent	5552,7	10627,8	16710,5	19065,6	20619,8	19539,4
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It is not a secret that in recent years significant economic activities have been carried out in order to attract investments to our country. From the data of Table 1 above, it can be seen that the amount of investments in fixed capital per capita is increasing. For example, this indicator was 2227,8 thousand soums in 2017, 3769,6 in 2018, 5834,6 in 2019, 6140,3 in 2020, 6861,0 in 2021. It was 7468,6. In 2022. Also, there is a significant increase in the attraction of foreign investments in our Republic.

**TABLE 2 COMPOSITION OF CAPITAL INVESTMENTS BY FINANCIAL SOURCES
(FOREIGN INVESTMENTS AND LOANS)² (IN PERCENT OF TOTAL)**

Areas	2017	2018	2019	2020	2021	2022
Republic of Uzbekistan	23,8	24,3	43,6	42,7	42,3	42,8
Republic of Karakalpakstan	10,0	23,7	36,9	38,9	37,4	38,7
Andijan	7,2	14,8	39,6	36,3	45,6	48,4
Bukhara	71,0	44,0	53,9	48,2	58,5	58,4
Jizzakh	10,8	8,7	48,8	61,9	44,5	47,3
Kashkadarya	18,0	51,1	70,3	69,3	53,6	47,0
Navoi	24,2	34,0	39,9	67,8	61,3	54,4
Namangan	31,6	33,5	45,8	37,2	29,8	34,7
Samarkand	2,8	4,7	27,8	27,0	34,9	52,7
Surkhandarya	11,5	21,4	66,3	60,1	45,2	42,3
Syr Darya	4,6	9,6	44,8	48,7	59,8	79,1
Tashkent region	12,0	9,6	26,0	26,7	34,3	32,4
Fergana	5,8	19,4	42,7	41,3	39,1	44,8
Khorezm	6,8	8,5	42,5	32,0	33,5	32,3
Tashkent	18,1	15,1	36,7	29,9	37,3	30,0

Analyzing the data of Table 2, growth rates were also recorded in the regions. For example, in Andijan region, investments in fixed capital by sources of financing amounted to 7.2 percent in 2017, and this figure was 48.4 percent in 2022. Accordingly, in Samarkand - from 2.8 in 2017 to 52.7 in 2022, Fergana - from 5.8 to 44.8, and Khorezm - from 6.8 to 32.3.

Among the above, a number of activities are being carried out to improve the efficiency of the activity of attracting foreign direct investments to the economy of the republic, to inform foreign investors about the opportunities and potential of our country, to improve the coordination of the activities of state and economic management bodies, local executive authorities in the field of attracting and developing foreign investments.

An investment policy aimed at gradually reducing the state's burden of financing the economy by introducing alternative instruments of financial support to the economy and increasing the role of private investments in the economy was carried out in 2022. In particular, a total of 269.9

trillion soums of investments were directed to the economy from all financial sources. In 2022, structural changes were observed in the volume of total investments, the share of decentralized investments increased from 80.8 percent in 2021 to 84.6 percent. The growth of decentralized investments is mainly explained by the 10.6 percent increase of the investments made from the enterprises' own funds and 10.7 percent of the foreign direct investments compared to 2021. The volume of centralized investments was formed within 41.4 trillion soums and decreased by 19.6 percent in real terms compared to 2021.

TABLE 3 CHANGES IN FIXED CAPITAL INVESTMENTS BY SOURCES OF FINANCING³, IN BILLION SOUMS

Funding sources	2021	2022	Change, in percent	
			2021	2022
Total investments	239 553	269 858	14,0	12,7
Centralized investments	46 100	41 436	9,8	-10,1
Budget funds	22 172	20 910	54,9	-5,7
Recovery and Development Fund funds	3 006	2 471	19,5	-17,8
Foreign loans under government guarantee	18 129	15 182	-21,9	-16,3
Decentralized investments	193 452	228 421	15,0	18,1
Own funds of enterprises	68 360	84 516	2,3	23,6
Foreign direct investment and loans	83 243	97 038	25,1	16,6
Including foreign direct investment	29911	37 006	0,8	23,7
Population funds	22 705	25 738	20,3	13,4
Commercial bank loans	19 145	21 129	20,2	10,4

This downfall is related to the increase in the prices of resources in the international financial market, the stricter conditions for attracting foreign debt compared to the requirements of Uzbekistan, and the limitation of the volume of investments made from budget funds and foreign loans guaranteed by the Government.

In the flow of direct foreign investments in 2020-2022, there is a rise in geographical concentration compared to 2015-2019. In particular, according to the calculations of the International Monetary Fund (IMF), the volume of investments directed by China to the USA (-22.1 percent), developed European countries (-17.8 percent), developing European countries (-31.3 percent) and Asia countries (-44.3 percent) significantly decreased. Also, developed European countries reduced the volume of direct foreign investments to Asian countries (-9.8 percent), China (-19.7 percent) and developing European countries (-0.9 percent) and transferred them to the USA (7.5 percent) and sending to EU countries (9.3 percent). This leads to increased competition in attracting foreign investments among developing countries, and improves the traditional investment and business environment as the main condition for

attracting foreign investments, as well as the improvement of modern new business directions (information technologies, financial and logistic services, ecotourism).

The change in the composition of gross demand in Russia, including the recovery of consumer demand in 2023, the formation of final consumer spending around 0.5–2.5 percent, as well as the increase in public investments will have a positive effect on economic growth, and the formation of GDP growth rates in the range of -1–1 percent Russia is forecasted by the bank.

In China the complete lifting of quarantine restrictions and the easing of fiscal and monetary conditions will have a positive impact on consumer demand, and the formation of the country's economy is expected in the framework of pre-pandemic trends. According to the International Monetary Fund, China's economy will grow by 5.2 in 2023, growth of 4.5% is projected.

While natural disasters in Turkey will slow down economic activity in the short term, it is expected that in the medium term, investments in reconstruction processes will have a positive effect on the country's economic growth. According to the updated forecasts of the IMF, GDP growth in Turkey is estimated to be 2.7 and 3.6 percent in 2023-2024, respectively.

In 2023, the construction sector in Kazakhstan is expected to grow by 7.5 percent, transport and storage services by 5.7 percent due to the emergence of alternative logistics chains in the region, retail and wholesale trade volumes by 4 percent due to the increase in migration flows, and the economy by the end of 2023 by 4.3 percent.


In 2023, economic growth is predicted to slow down in the economies of Uzbekistan's main trading partners, on the one hand, due to global inflationary pressure, on the other hand, a decrease in domestic demand and fluctuations in raw material prices[6].

The main step in improving the investment environment in our country is to form a complete and effective institutional framework through efforts aimed at creating conditions for attracting private and direct foreign investments. Because foreign direct investments are not actively directed to high-tech and human capital, the process of achieving high levels of inclusive growth and poverty reduction in the country is at risk.

CONCLUSIONS AND RECOMMENDATIONS

The socio-economic progress of the country, the achievement of stable economic growth, the increase in the income of the population, and the improvement of living conditions in most cases depend on the size and composition of investment funds attracted to various sectors and sectors of the national economy. Therefore, it is inevitable that the priority direction of the socio-economic development strategy of each country is focused on attracting investment funds to the national economy. Although a number of positive things are being done in attracting foreign direct investments in our country, there are also some shortcomings and problems in this direction. For example, the lack of a favorable investment environment, lack of diversity of attracted investments, imperfect regulation and protection of private property rights, decline in investment trends.

In our opinion, the following should be taken into account when eliminating the shortcomings:

-  Creating the necessary conditions for an open economy, healthy competition, and fundamental improvement of the business and investment environment;

- ✚ Increasing new jobs through rapid development of the private sector;
- ✚ More training of qualified personnel capable of realizing strategic tasks related to economic development.
- ✚ Consistent continuation of active investment policy. To further expand cooperation with the world's leading international investment banks and take measures to fully demonstrate the investment potential of our country;
- ✚ Ensuring macroeconomic stability and high economic growth rates while curbing inflation rates;
- ✚ Wide introduction of modern market mechanisms in the field of banking and financial system;
- ✚ Such as bringing products to the world market and supporting exports, further accelerating the localization program in the economy.

LIST OF USED LITERATURE

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