



Ways to Increase the Possibilities of Attracting Foreign Investments to the National Economy



Ganiev Shakhriddin Vakhidovich ¹, Achilov Uygunjon Ulug'bekovich ²

¹ Professor of Tashkent State Economic University

² Associate professor of the Institute "International School of Finance Technology and Science" LLC

Abstract:

In the article, the possibilities, conditions and problems of attracting foreign investments to economic sectors in Uzbekistan are thoroughly studied. Statistical indicators of foreign investments in Uzbekistan were analyzed. Conclusions and proposals aimed at solving problems have been developed.

Keywords: investment, capital, foreign investment, investment environment, investment activity, green economy, gross domestic product, ICOR coefficient.

Introduction

The importance of a favorable investment environment and investment activity in ensuring sustainable economic growth in the world, creating jobs and increasing the income of the population, diversifying the sources of financing investments in fixed capital and increasing the efficiency of investment use, evaluating the determinants of attracting foreign investments, mechanisms of attracting investments, priority attention is being paid to research and development activities aimed at evaluating the effectiveness of fiscal and financial incentive instruments. In these studies, in the conditions of the transition to the "green economy" in developing countries, the improvement of the legal and institutional basis of attracting foreign investments, the classification of "green projects" and the establishment of criteria for their financing, the models of attracting investments to infrastructural projects and their effectiveness assessment, d public-private special attention is paid to such important issues as ensuring the participation of foreign direct investments in the financing of partnership projects.

To further increase the investment attractiveness of the economy of Uzbekistan, to achieve a stable increase in the volume of investments directed to the main capital, to ensure the effectiveness of investment projects related to the transition to the "green economy", direct foreign investment priority is being given to improving the economic mechanisms of investment attraction. In accordance with the "Uzbekistan-2030" strategy 1, priority tasks have been set for "assimilation of 250 billion dollars of investments in our country, including 110 billion dollars of foreign investments and 30 billion dollars of attracting investments within the framework of public-private partnerships." Implementation of these tasks determines the need to continue institutional reforms in the economy, wide implementation of public-private partnership and "green economy" projects, and development of proposals and recommendations for improving the economic mechanism of attracting foreign investments.

Literature review

The attraction of foreign investments and various aspects of the activities of joint ventures established with their participation have been reflected in the scientific works of a number of foreign and domestic economists. R.Vernon, S.X.Xaymer, Ch.P.Kindlberger, F.T.Knikkerboker, E.M.Grem, P.Bakkli, M.Kasson, M.E.Porter, K.Kojima, J.X.Dan, K. The service of leading foreign scientists like Kojima and JXDan is great.² X.P.Lankes, K.Meyer, D.Xolland, R.Barrel, L.Krkoska, X.Tomann, focused on studying the characteristics of foreign direct investment in countries with transition economies. Scientific works of N. Fabri, S. Zigni³ should be mentioned.

Among the scientists of the near foreign countries, K.Kozlov, D.Manaenkov, K.Yudaeva, M.Vernikov⁴ in their scientific works, the features of attracting foreign direct investments to the national economy in the countries where market relations are being formed, A.G.Avetisyan, T.N.Mamedov, I.M.Drapkin, S.A.Lukyanov's studies⁵ reveal the factors of investment attractiveness, the impact of foreign direct investments on domestic investments and economic integration, and the impact of foreign investments on the country's economic security in the researches of N.K.Bekkaleyeva, S.Dadalko, A.B.Otarbaeva, A.A.Arupov.⁶

Investments in various economic sciences and areas of practical activity are interpreted differently depending on the purpose, sources of financing, industry direction, object and other aspects. J. Keynes defines investments as "the part of the income earned in this period that is not used for consumption" in the form of the current increase in the value of capital property as a result of the

¹ Uzbekistan Republic PF-158 of the President of September 11 , 2023 "Uzbekistan-2030 Strategy about". Decree <https://lex.uz/ru/docs/6600413>.

² Vernon R. International trade and international investment in the product cycle // The quarterly journal of economics. - Harvard, 1966. - Volume 83. No.1. - pp. 190-207; Moran TH Foreign direct investment and development: the new policy agenda for developing countries and economies in transition. - Washington: Institute of international economics, 1998. - 191 pages.

³ Lankes HP, Venables AJ Foreign direct investment in economic transition: the changing pattern of investments // The economics of transition. - London, 1996. – Volume 4, No. 2. - pp. 331–347 ; Barrel R., Holland D. Foreign direct investment and enterprise restructuring in Central Europe // The economics of transition. - London, 2000. - Volume 8, No. 2. - pp. 477-504.

⁴ Kozlov K., Manaenkov D. Firms with foreign participation and their influence on export activity in Russia: firm-level panel evidence. - Moscow: New economic school working paper, 2000. - 40 p.; Vernikov A. V. Otsenka scale presence foreign bankov // Dengi i credit . - Moscow , 2002. - #1. - S. 25-30.

⁵ Аветисян А.Г. Инвестиционная привлекательность страны: анализ основных факторов. Финансы: теория и практика/Finance: Theory and Practice. 2020;24(4):58-74.; Драпкин И.М., Лукьянин С.А., Бокова А.А. Влияние прямых иностранных инвестиций на внутренние инвестиции в российской экономике. Вопросы экономики. 2020;(5):69-85., Т.Н.Мамедов, Влияние прямых иностранных инвестиций на развитие экономического сотрудничества стран СНГ, Монография, М.:2021.

⁶ Н.К.Беккалеева, Иностранные инвестиции в системе обеспечения экономической безопасности страны Цифровая наука, 2020, №5, С.Дадалко, Привлечение иностранных инвестиций в контексте национальной безопасности. Банкайскі вестнік, Ліпень 2013, №16, А.Б.Отарбаева, А.А.Арупов, Аналіз впливу прямих іностранных інвестицій на розвиток нафтегазової промисловості Казахстану, Алматы, 2020.

production activity of this period ⁷. Economists who have conducted research in this direction, "funds invested in business objects and other types of activities in order to obtain income (profit) from investments and achieve positive social effects, targeted deposits, shares, other types of securities, technologies, machines, equipment, licenses, any other property or property rights" is defined.

the dependence of economic development on additional investments has been studied by many economists . In particular, new and additional investments lead to an increase in aggregate demand in the economy (Keynes, 1936), Economic growth is mainly related to capital, in particular, the optimal level of capital per labor force (Solow, 1956), Theoretical approaches such as innovation and investment in human capital are associated factors of economic growth (Lucas and Romer, 1988) show the influence of capital on economic growth.⁸

Another category of economists " call investments as long-term capital funds directed to business and other objects of ⁹activity in monetary, tangible and intangible form in order to obtain current income or to ensure that their value will increase in the future . " D. Tojiboeva defines "investments as financial resources intended for expansion and reconstruction of production for future results, improvement of quality of products and services, training of qualified specialists and conducting scientific research" ¹⁰.

At the same time, the main focus of the existing studies is on the attraction of foreign investments to the national economy, and it is distinguished by the fact that it is analyzed from the point of view of certain industries, sectors, economic processes or investment financing.

Analysis and results

According to the Ministry of Economy and Finance of the Republic of Uzbekistan, the gross domestic product per capita will be 2,254 US dollars in 2022, 2,449 US dollars in 2023, and it is forecasted to reach 3,055 US dollars by 2026 ¹¹.

It is known from economic theory that economic development is related to additional investments. In particular, new and additional investments lead to an increase in aggregate demand in the economy (Keynes, 1936), Economic growth is mainly related to capital, in particular, the optimal level of capital per labor force (Solow, 1956), Theoretical approaches such as innovation and investment in human capital are associated factors of economic growth (Lucas and Romer, 1988) show the influence of capital on economic growth ¹².

According to the famous economist P.Samuelson's principle of "accelerator effect", the mechanism of interdependence between economic growth and investments works like this: the real growth of the gross domestic product leads to an increase in the volume of real investments, in turn, an increase in real investment leads to a further increase in GDP. An important aspect of this principle is that real investment means only the increase in the value of fixed capital (buildings, structures, machinery and equipment) and inventories.

⁷Кейнс Дж. Общая теория занятости, процента и денег. – М.: Прогресс, 1978, – с.117.

⁸John Maynard Keynes, "The General Theory of Employment, Interest and Money", 1936. Robert M. Solow, "A Contribution to the Theory of Economic Growth", The Quarterly Journal of Economics, Volume 70, Issue 1, February 1956, Pages 65–94. Paul M. Romer, "The Origins of Endogenous Growth," The Journal of Economic Perspectives, Vol. 8, No. 1 (1994) , pp. 3-22

⁹Гаврилова А.Н. Финансовый менеджмент. – М.: Кнорус. 2005, – с.156.

¹⁰Tojiboyeva D. Iqtisodiyot nazariyasi: ikkinchi kitob. – Toshkent.: Sharq, 2003. – 79 b.

¹¹ Information from the Ministry of Economy and Finance of the Republic of Uzbekistan, Budget 2024-2026 (<https://api.mf.uz/media>).

¹²John Maynard Keynes, "The General Theory of Employment, Interest and Money", 1936. Robert M. Solow, "A Contribution to the Theory of Economic Growth", The Quarterly Journal of Economics, Volume 70, Issue 1, February 1956, Pages 65–94. Paul M. Romer, "The Origins of Endogenous Growth," The Journal of Economic Perspectives, Vol. 8, No. 1 (1994) , pp. 3-22

In order to scientifically and empirically verify these theoretical approaches, economic growth and investment indicators of the 25 largest developed and developing countries were analyzed for the period 2000-2022 based on the World Bank's statistical database. Over a period of 23 years, the correlation coefficient between the real growth of the gross domestic product of these countries and the ratio of investment in fixed capital to GDP turned out to be close to the maximum value of one.

According to the "Uzbekistan-2030" strategy, 250 bln. USD investments, including 110 bln. dollar foreign investments and 30 bln. It is planned to attract investments within the framework of public-private partnership ¹³. It is important to ensure the implementation of these priority goals and tasks, to improve the investment environment in our country, to expand the volume of attracting foreign direct investments to economic sectors and regions, and to accelerate public-private partnership projects.

Modernization of production, technical and technological updating, implementation of an active investment policy aimed at the implementation of production, transport-communication and social infrastructure projects that ensure the rapid development of high-tech production sectors, first of all, on the basis of deep processing of local raw materials is an important means of achieving this goal in order to produce a finished product with high added value.

The priority tasks of the investment policy are to improve the investment environment, actively attract investments, primarily foreign direct investments, to the economic sectors of the country's regions, develop the production of new types of products based on modern technologies, and ensure the competitiveness of local enterprises. ranks among the

If by the end of 2017, the share of investments in the gross domestic product was 22.7 percent, in 2019 it reached 36.8 percent, and in 2018–2022 it was 32.6 percent on average. At the same time, the main part of capital investments was directed to industrial and infrastructure projects. By the end of 2022, 42.8% of total investments in the national economy were financed by foreign investments, including 14.5% by foreign direct investments.

Attracting foreign direct investments is of particular importance in structural transformation of the economy, modernization of industry, increasing the share of products with high added value, and ensuring the competitiveness of enterprises in foreign markets.

One of the important indicators used in the analysis of the relationship between investment and economic growth is the incremental capital-output ratio (ICOR). This indicator helps to assess the effectiveness of investments in the country's economy, to assess the impact of investments in fixed capital on the growth of the gross domestic product (GDP). In our work, the ICOR indicator is analyzed on the example of Uzbekistan and other developing countries, and we consider the impact of investments on economic growth.

It should be noted that the ICOR indicator essentially measures the investments necessary to create a unit of additional output in the country's economy. This indicator helps us to evaluate the effectiveness of investments and determine the amount of investment in fixed capital necessary to ensure economic growth. The lower the value of the ICOR indicator, the higher the efficiency of investments, because it means that less investment is required for a certain increase in production.

The ICOR indicator is calculated based on the following formula:

$$\text{ICOR} = \text{Fixed Capital Investments (Relative to GDP)} / \text{Annual Growth Rate of GDP}$$

By applying this formula, it is possible to evaluate the effectiveness of investments in stimulating economic growth. A lower ICOR indicates that the country is using investments more effectively to create added value. This shows that the country has the potential to achieve high growth rates with

¹³Decree of the President of the Republic of Uzbekistan dated September 11, 2023 No. PF-158 "On Uzbekistan-2030 Strategy". <https://lex.uz/ru/docs/6600413>.

relatively less investment. On the contrary, a high value of ICOR means that more investments are required to achieve a certain increase in production volume in the country's economy.

Effective use of investment capital is very important for long-term, sustainable economic development of any country. In order to monitor the dynamics of the ICOR indicator and reduce its value, it is appropriate to apply strategies aimed at increasing the efficiency of investment use and optimizing the allocation of financial resources, including infrastructure development, innovation promotion, and increasing the financial, economic and social efficiency of investment projects. is considered

The analysis shows that there is an increasing trend of the value of the ICOR indicator in Uzbekistan between 2010 and 2022. In 2010, the ICOR indicator calculated on the basis of World Bank data was 3.58 in our country, 3.48 in Kazakhstan, and 4.38 in the People's Republic of China. Between 2010 and 2016, the value of the ICOR indicator was 3.88 on average in Uzbekistan, 10.09 in Kazakhstan, and 5.66 in the People's Republic of China . In this period, it can be seen that the economy of our country is more efficient than Kazakhstan and China in terms of investment utilization.

It should be noted that since 2017, high investment activity aimed at modernization of the economy and creation of new jobs has been observed in Uzbekistan, and the ratio of investments in fixed capital to GDP has increased sharply. According to the World Bank, the ratio of fixed capital investment to GDP in 1991-2022 is 41.44% in China, 32.31% in India, 33.14% in South Korea, 25.55% in Turkey, 25.40% in Kazakhstan. percent and averaged 29.38 percent in middle-income countries, this indicator increased to 23.89 percent in Uzbekistan due to the sharp growth in the last 6 years ¹⁴.

Table 1. ICOR indicators of investment efficiency in the economy ¹⁵of Uzbekistan, Kazakhstan and the People's Republic of China

| Years | Countries | | |
|---------------------------|---------------|-----------------|---------------|
| | PRC | Kazakhstan | Uzbekistan |
| 2010 | 4.38 | 3.48 | 3.58 |
| 2011 | 4.89 | 3.11 | 3.55 |
| 2012 | 5.88 | 5.26 | 4.23 |
| 2013 | 5.97 | 4.09 | 3.77 |
| 2014 | 6.17 | 6.14 | 4.07 |
| 2015 | 6.14 | 23,26 | 3.65 |
| 2016 | 6.22 | 25,30 | 4.34 |
| 2017 | 6.19 | 6.43 | 6.63 |
| 2018 | 6.49 | 6.16 | 6.33 |
| 2019 | 7.27 | 6.14 | 6.99 |
| 2021 | 5.11 | 6.17 | 5.45 |
| 2022 | 14.48 | 7.54 | 6.76 |
| Average 2010–2016. | 5, 66 | 10 , 0 9 | 3 , 88 |
| Average 2017–2022. | 7 , 91 | 6 , 49 | 6 , 43 |

As a result, there is an increasing tendency of the value of the ICOR indicator between 2017 and 2022. The value of the ICOR indicator calculated on the basis of the data of the World Bank is 6.43 on average in Uzbekistan, which has increased by 1.66 times compared to the previous period. In the same period, the value of the ICOR indicator was 6.49 in Kazakhstan and 7.91 in China. This

¹⁴ <https://data.worldbank.org> .

¹⁵ Calculated based on World Bank data (<https://worldbank.org/opendata>).

means that the efficiency of using investments is decreasing against the background of increased investment activity in the economy in recent years.

At the same time, in the period when the volume of investments is increasing in the regions, the change of the gross regional product and the assessment of the efficiency of regional investments are of great importance.

Table 2. Changes in ICOR indicators of investment efficiency in the regions of the Republic of Uzbekistan¹⁶

| Areas | Average 2003–2009 . | Average 2010–2016 . | Average 2017–2022 . |
|----------------|---------------------|---------------------|---------------------|
| Karakalpakstan | 6.29 | 5.20 | 6.16 |
| Andijan | 2.48 | 5.31 | 3.53 |
| Bukhara | 7.24 | 4.43 | 11.89 |
| Jizzakh | 2.05 | 2.41 | 6.37 |
| Kashkadarya | 6.52 | 5.82 | 19.74 |
| Navoi | 6.48 | 5.64 | 9.08 |
| Namangan | 2.63 | 2.22 | 6.80 |
| Samarkand | 2.32 | 1.90 | 11.10 |
| Surkhandarya | 3.76 | 2.12 | 8.85 |
| Syr Darya | 2.88 | 3.33 | 6.54 |
| Tashkent | 4.00 | 3.38 | 7.87 |
| Ferghana | 2.98 | 2.37 | 3.40 |
| Khorezm | 2.47 | 2.38 | 4.61 |
| Tashkent | 4.92 | 2.76 | 3.88 |

The values of regional ICOR indicator were calculated on the basis of investment in fixed capital and gross regional product data in the cross-section of regions . This indicator is variable compared to the national average, and in the period 2003–2009, this indicator ranged from 2.05 in Jizzakh (lowest) to 7.24 in Bukhara (highest). was in The difference in the cross-sectional area widened in the period 2017–2022, from 3.40 in Fergana (lowest) to 19.74 in Kashkadarya (highest).

During the period of 2017-2022, there are 4 regions where the efficiency index of investments in fixed capital is higher than the overall level of the republic when analyzed by regions. In particular, the regions of Andijan (3.53), Fergana (3.40), Khorezm (4.61) and Tashkent city (3.88) should be noted separately. At the same time, Bukhara (11.89), Kashkadarya (19.74), Samarkand (11.10) and Navoi (9.08) due to the implementation of large investment projects in recent years and their economic effect in the future. the efficiency of investment utilization in the regions is much lower than the average level.

It should be noted that in 2003-2009, 7 regions (Andijan, Jizzakh, Namangan, Samarkand, Syrdarya, Fergana, and Khorezm regions) had a higher efficiency index of investments in fixed capital than the overall republic level, 2010- In 2016, there were 6 regions (Jizzakh, Namangan, Samarkand, Surkhandarya, Fergana, and Khorezm regions), and in 2017-2022, the number of these regions will increase to 4 (Andijan, Fergana, Khorezm regions, and the city of Tashkent).) fell. This observed negative trend shows us the need to increase the efficiency of the use of investments in the region, including ensuring the quality of investment projects, their stable operation and ensuring a positive level of profitability.

Conclusion

¹⁶ Calculated based on World Bank data (<https://worldbank.org/opendata>).

It should be noted that in recent years, in Uzbekistan, the scope of attracting investments has expanded and the investment activity is increasing, the efficiency of using investments in the economy is decreasing. In this case, it can be observed that the gap is widening in the cross-section of regions. This, in turn, indicates the need to increase the efficiency of the use of investments in the region, including ensuring the quality of investment projects, their stable operation and ensuring a positive level of profitability.

The results of the analysis of the investment activity of the regions of Uzbekistan show that in recent years, the volume of investments in the fixed capital of the regions has increased, and the activity of attracting foreign direct investments is also increasing. However, the achieved results do not correspond to the existing opportunities in the regions. At the same time, it shows the need to improve the efficiency of investments attracted by regions.

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