

**THE IMPORTANCE AND NECESSITY OF INVESTMENT ATTRACTIVENESS
IN ATTRACTING CAPITAL TO THE COUNTRY'S ECONOMY**

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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: enterprise risk, investment potential of the enterprise, investment climate, innovation in enterprises, small business entities, investment process.

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 growth of foreign investments in Uzbekistan in recent years is mainly due to funds coming in under the state guarantee and loans from international financial organizations. Increasing the competitiveness of the economy in these regions, improving the investment environment, reducing investment risks, and increasing the potential of personnel requires the formation of full confidence of investors in our economy. Rapid development of the national economy and ensuring high growth rates, establishing new industrial zones in the regions and increasing the investment activity of special economic zones in the development of the system of business incubators is one of the urgent issues. The task of "developing an investment strategy for sectors and regions with the involvement of foreign experts, evaluating the efficiency and economic and social impact of the investments involved, and determining the leading sectors for directing foreign direct investments" is set. Improving the mechanism of attracting foreign investments, improving the financing of investment projects through international credit lines is one of the most important issues in ensuring the implementation of this task.

Law of the Republic of Uzbekistan No. ORQ-598 of December 25, 2019 "On Investments and Investment Activities", President of the Republic of Uzbekistan No. PF-60 of January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022-2026" and PF of April 8, 2022 - Decree No. 101 "On further reforms to improve the business environment and create conditions for sustainable economic growth through the development of the private sector", PQ-5088 dated April 21, 2021 "Organization of activities of youth industrial and entrepreneurial zones and youth entrepreneurship Decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 196 dated April 10, 2017 "On measures to organize the activities of free economic zones" and "On measures to support the activities of free economic zones" dated June 7, 2022 "External infrastructure of investment projects of foreign and local investors" This thesis serves to a certain extent the implementation of the tasks defined in the decisions No. 306 on the procedure for state reimbursement of creation costs, as well as in other regulatory documents related to this field.

2. Literature Review

Theoretical and methodological aspects of increasing the country's investment attractiveness in attracting foreign investments to the economy: foreign economists: M. Moore, H. Schmitts, Dj. Doun, G. Elliot, M. Engman, O. Onodera, E. Pinali, T. Farole, A., found in the scientific works of E. Molina, P. Sikka, A. Tytko, I. Sukhan, M. Koshchynets.

Local economists A.Vahabov, D.Tadjibaeva, Sh.Khajibakiev, J.Karimkulov, D.Gozibekov, N.Kuzieva, S.Mirzalieva, M.Raimzhanova, Sh.Mustafagulov, U.Madrahimov, A.Sabirov, A.Ergashev, R.Karlibaeva, R.Kuziev, M.Rashidov's scientific works on the issues of investments and their attraction, the theoretical and practical aspects of attracting foreign investments through free economic zones were researched and studied.

However, the issues of increasing the attractiveness of the investment environment have not been fully explored in the research and theoretical research carried out within the framework



of this topic. These cases show the level of relevance of the researched scientific-practical problems and suggestions and recommendations for their elimination.

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

In general, the investment potential and investment attractiveness of a region determine its investment climate. In turn, risks are an indicator of investment attractiveness.

An investment climate is a set of economic, social, political, legal, environmental, organizational, cultural and other conditions created for the effective functioning of investments in the country's economy or in one of its regions. The state of the investment climate depends on the legal framework and its structure, which must be observed. Uzbekistan's current position in the world, its geographical location, the composition and reserves of natural resources also play a key role in creating a favorable investment climate. In this case, the investment climate is determined by the factors that encourage investment in the country and the assessment of investment risks. Investment risk is an increase (decrease) or complete loss of return on investment made to implement an investment project.

As mentioned above, investment attractiveness is an economic category, which is reflected in the impact on investment activity through objective and subjective data. In the picture presented, a schematic look at the concepts we have highlighted has been taken.

In our view, an investment risk is assessed and identified through a comprehensive, in-depth analysis of the investment climate. The investment climate and risk levels are inversely related. The more favorable the investment climate, the lower the entrepreneurial risk of the investor, and this will stimulate the influx of investors. Conversely, if the investment environment is unfavorable, the risk level will be high. This leads to an increase in costs for the recipient of the investment. The state of the investment climate is important for the investor.

Economist T.M. Smaglyukova distinguishes from all indicators of investment attractiveness the indicators that meet the requirements of complex assessment. According to him, these indicators are included in the factors of investment attractiveness, which reflect all aspects of the investment process. The sum of formed indicators covers external and internal factors of activity of regions as economic system and objects of investment.



- state policy in relation to foreign investments;
- adherence to international agreements;
- level of state intervention in the economy;
- system of participation in international agreements;
- efficiency of public administration work;
- political stability;
- the rule of law.

External and internal political factors



- the general state of the economy (development or crisis);
- inflation rate, exchange rate stability;
- benefits in various tax and duty payments;
- the cost of labor and the manner in which labor is used;
- supply and demand for specific goods;
- supply of raw materials;
- the price of the loan
- the degree of digitization of the economy.

External and internal economic factors



- attitude of society members to foreign capital and private property;
- ideological and economic level of society;
- organization of the working class;
- political and social situation and processes in the world.

External and internal social factors



Figure 1. Factors affecting the attractiveness of the country's investment climate

Based on the classification of factors affecting the attractiveness of the investment environment of the countries and regions presented in Figure 1, it can be said that it is important to further activate the attraction of investments to the regions of the Republic and their economic sectors. , a clear mechanism for providing certain benefits, ensuring the effectiveness of benefits, favorable business conditions and a system of guarantees is necessary in the areas of tax system and customs payments.

Among the laws aimed at increasing the attractiveness of the investment environment, which are widely used in practice at the moment, are the Law of the Republic of Uzbekistan dated August 25, 2015 No. O'RQ-392 "On Investment and Mutual Funds", dated December 25, 2019 O'RQ-598 "On Investments and Investment Activities", dated May 10, 2019 O'RQ-537 "On Public-Private Partnership", 2020

The Law "On Special Economic Zones" No. 604 of February 17 was adopted. It should be said that the main results of the legislative norms that develop the investment environment determine the main effectiveness of the recent important legal reforms in the country. In this regard, it is emphasized that one of the main criteria should be the fact that the adopted normative legal documents, various inter-departmental legal frameworks serve to further improve the investment environment.

Table 1 The share of regions in the GDP of Uzbekistan

Areas	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Place
Republic of Karakalpakstan	2,8	2,8	2,9	3,0	3,4	3,4	3,7	3,7	3,6	3,6	10
Andijan	6,0	6,5	6,4	6,3	6,3	6,2	6,4	6,4	6,4	6,0	6
Bukhara	5,6	5,4	5,5	5,6	5,6	5,4	5,2	5,3	5,2	5,3	7
Jizzakh	3,0	2,9	3,0	3,0	3,0	3,0	3,0	3,0	3,1	3,2	11
Kashkadarya	8,5	8,0	7,8	7,8	7,9	6,8	6,3	6,1	5,9	6,0	6
Navoi	5,1	5,0	4,9	4,8	4,7	4,6	5,3	6,9	7,2	8,1	3
Namangan	4,6	4,7	4,7	4,9	5,0	4,8	4,5	4,5	4,7	4,7	8
Samarkand	7,8	8,1	8,3	8,4	9,0	8,5	7,7	7,4	7,2	7,3	4
Surkhandarya	5,0	4,9	4,9	5,0	4,8	4,5	4,4	4,2	4,1	4,1	9



Syr Darya	2,3	2,2	2,2	2,3	2,4	2,1	2,0	2,3	2,1	2,1	14
Tashkent	10,0	10,1	10,0	10,0	9,3	9,2	9,5	10,4	10,8	11,2	2
Ferghana	7,1	7,2	7,3	7,4	7,1	6,5	6,5	6,2	6,2	6,4	5
Khorezm	3,8	3,8	3,9	4,0	4,0	3,8	3,8	3,6	3,6	3,7	13
Tashkent sh.	13,1	12,9	13,1	13,5	14,6	15,5	15,2	16,3	16,1	16,6	1
Gross value added of networks	15,3	15,5	15,1	14	12,9	15,7	16,5	13,7	13,8	11,7	-

According to the above table, the analysis of the share of regions in the country's GDP shows that the share of Tashkent city and region, Navoi, Samarkand, Fergana regions in the country's GDP is high. In particular, the share of the GNI volume of Samarkand region in the country's GDP was higher than 7 percent on average in 2013-2022. This indicator has an important place in the formation of the investment environment in the region.

It is important to analyze a number of economic and social development and macroeconomic indicators in the assessment of the investment environment of the Samarkand region, which was selected as a research object.

Also, in 2019, a total of 10,266.7 bln. Investments in the amount of soums were included in the fixed capital, and compared to the previous year, the growth rate increased by 145 percent. This indicator in 2020

It was 142.7 percent. In 2021, the volume of investments in fixed capital in the region will be 15,641.6 billion. soum in 2022, the indicator increased by 116.3 percent.

The analysis of the financing structure of investments in the region's economy is one of the important aspects describing the development of the investment environment in the region.

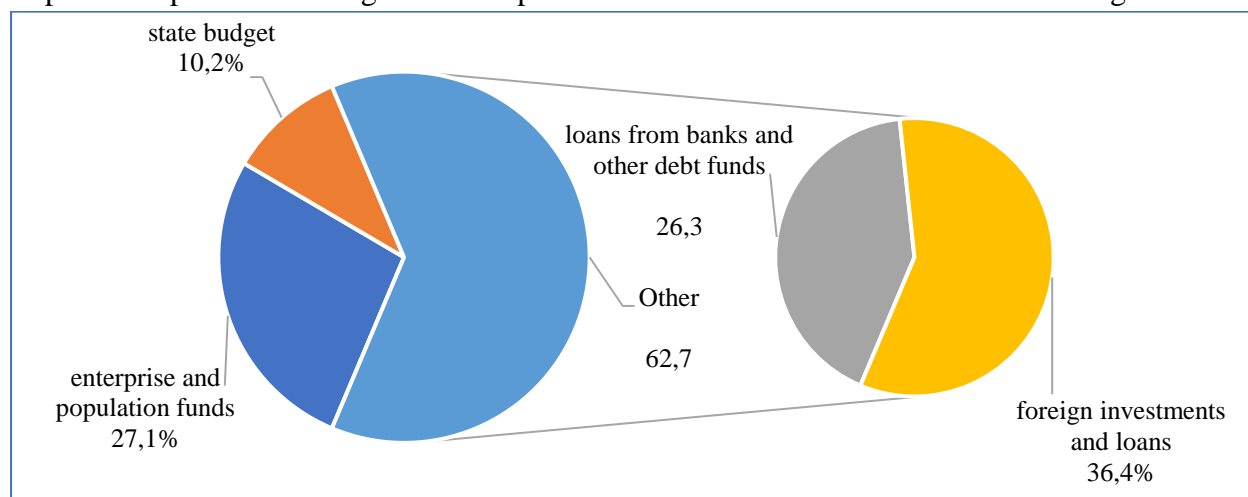


Figure 2. Financing structure of investments made in the economy of Samarkand region in 2022

According to the above picture, 10% of the investments included in the financing structure of the investments made in the economy of Samarkand region in 2022 will be centralized investments from the state budget, 27% will be the own funds of enterprises and residents. 26 percent are loans from banks and other financial institutions, 37 percent are foreign investments and loans. The fact that foreign investments and loans have a high share in the



composition of the investments means that the investment environment for foreign investors is developing.

Also, the activity of special economic zones cannot be carried out completely autonomously, independently of the state policy and the economic situation in the country. The success of the operation of special economic zones is closely related to the state and its policies and the general situation in the economy.

5. Conclusions and Suggestions

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".

As a result of the implementation of this proposal, it is necessary to ensure the rapid implementation of large investment projects, on this basis, the creation of new jobs and the development of entrepreneurial activities (providing them with services, providing state subsidies, granting privileges and other support), as well as providing social support to the population. the support system has been further improved.

2. The proposal to appoint individual project managers for each strategic investment project in the system of economic entities with a state share of 50 percent or more in the charter fund. was used in the development of the decision on the introduction of new approaches and mechanisms of project management.

As a result of the implementation of this recommendation, regulatory and legal documents on increasing the efficiency of attracting foreign investments have been improved.

3. The proposal to establish a direct investment fund with a capital of 1 billion US dollars was used in the development of the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. PQ-420 of May 23, 2019 "On the organization of the activities of the direct investment fund of the Republic of Uzbekistan."

As a result of the implementation of this proposal, in 2019-2020, the share of foreign direct investments in the total investment volume has increased to 35-40 percent.

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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