

Enhancing the Investment Environment: Essence and Necessity

Dilrabo Malikova

Faculty of Banking and Financial Services, Samarkand Institute of Economics and Service

Jamshid Nuraliev

Student, Faculty Banking and Financial Services, Samarkand Institute of Economics and Service

Abstract

A favorable investment climate helps attract investment to a country or region, its improvement provides additional resources for the national or regional economy. This paper examines the current investment climate in Uzbekistan and proposes strategies to improve its attractiveness, thereby stimulating economic growth and attracting both domestic and foreign investors.

Keywords: *investments, investment climate, investment potential, investment risk, political factors, social factors, legal factors, economics, investment attractiveness.*

1. INTRODUCTION

In economics, investment plays an important role. As an economic category, they perform the most important functions, in the absence of which normal, effective economic development is impossible, since investments affect the deepest foundations of economic activity, determining the process of economic growth as a whole.

Investments are objectively necessary, since in modern conditions they are the most important means of ensuring structural changes in the economy, implementing the achievements of technological progress and increasing the quality indicators of economic activity, as a result of which they determine the economic potential as a whole and contribute to socio-economic transformations that increase the living standards of the population.

As it's usage of developed countries shows that the investment environment plays a crucial role in mobilizing capital, boosting economic growth, and fostering overall development. However, ensuring a favorable investment climate requires proactive measures aimed at increasing its attractiveness. Mostly it can grab the attention of free funds of non-residence and residence individuals together with financial companies.

Investment attractiveness is a set of financial and economic indicators that determine the assessment in the external environment, including political, economic, social, legal, and modify the final result.

2. THEORETICAL ASPECTS

The term "Investment Environment" essentially includes all types of investment opportunities (i.e. varied financial and real assets), investment vehicles or alternatives in the market that are available to an investor, financial markets, investment process, market structure that enables purchasing and selling of investments, regulatory set up that fosters an enabling environment to invest, and market intermediaries.

The investment climate of a region, in the understanding of most authors, is a set of objective conditions for the implementation of investment activities: means, opportunities and restrictions that determine the intensity of attracting investments into the economy of the region.

Investment climate is a complex socio-economic and political system that creates conditions for effective investment and innovation activities in a country or region.

Investment attractiveness is defined as the relationship between investment potential (a set of conditions, factors that attract or repel investors) and investment risks (a set of factors under the influence of which there is a likelihood of unexpected financial losses in conditions of uncertainty of the results of investment activities or the likelihood of complete or partial failure to achieve investment results).

The main components of investment attractiveness are two characteristics: investment risk and investment potential.

Investment risks are risks associated with the possibility of shortfall or loss of profit during the implementation of investment projects.

Investment potential is a set of investment resources that can be invested in objects of investment activity.

The factors which impact the attractive investment climate, can be lower risky for domestic and foreign investors, and the following table elucidates these factors:

Political factors	Service quality-Service quality of local government to the business actors
	Information availability-Availability of data needed by investors and facilitate investment
	Regional regulations - The laws in regulating investment
Social factors	Security-The level of security in the area affects business/investment activities
	Social politics- Socio-political, such as social conflicts between community groups, political stability, and demonstration activities
	Culture - Cultural conditions and customs of local community do not interfere with business productivity
Economic factors	Gross Regional Domestic Product per capita
	Gross Regional Domestic Product growth- Average GRDP value growth at constant prices for the period
	Human Development Index-Value of Human Development Index (HDI)
Resource factors	Availability of Manpower by education level
	Availability of Manpower by age
	Labor costs- Labor costs incurred by the entrepreneur
Infrastructure equipment	Transport infrastructure- accessibility to the highways, toll roads, ports, cargo terminal/airport and railways
	Telecommunication infrastructure-Availability of telephone and internet network
	Electrical infrastructure- Availability of power grid

Fig.1. Factors influencing the investment climate

Investment climate factors are both objective and subjective. Objective factors are very diverse. The first factors include natural and climatic conditions, the availability of raw materials and energy resources, geographical location, demographic situation and others.

Due to the fact that the impact of objective factors on the investment climate is difficult to change, in such cases, during the analysis, serious attention is paid to subjective factors. They are related to human activities. Subjective factors include: economic stability; level of compliance with law and order; level of development and accessibility of infrastructure facilities; the quality of the tax system and the level of tax burden; quality of the banking system and other financial institutions.

3. ANALYSIS AND RESULTS

Nowadays, favorable investment climate is a prerequisite for ensuring a stable high development of the economy, attracting investments in regions and industries, and enhancing entrepreneurial activity. It contributes to the influx of foreign direct investment in important production and social projects, expands the possibilities for innovation, and improves the quality of socio-economic development. Over the years of independence, Uzbekistan has gone through a difficult stage of restructuring the entire economy, accompanied by certain difficulties in terms of developing a suitable concept and mechanisms for its implementation.

Thus, it must be recognized that for a long time specific issues remained unresolved in the field of doing business (for example, currency conversion, free repatriation of profits, attracting international financial institutions, etc.), and this, in turn, seriously affected the investment attractiveness of the country. However, in recent years, the situation in this regard has begun to change dramatically, and reforms aimed at improving the investment environment have gained a dynamic character. And already, in Uzbekistan, one of the drivers of economic growth is attracting foreign capital to the national economy.

The priority goal of the development strategy of New Uzbekistan for 2022-2026 is to further improve and increase the attractiveness of the investment climate in the country, taking measures to attract investments in the next five years in the amount of 120 billion US dollars, including 70 billion US dollars of foreign investment.

In the Republic of Uzbekistan there are no restrictions regarding the form of investment. Foreign investors can create enterprises on the territory of the republic in any organizational and legal form permitted by law.

It is known that labor resources are important for foreign investors. Uzbekistan, which is one of the most densely populated and multinational countries in the world, located at the crossroads between the West and the East, has historically been a concentration of leading research and educational institutions.

4. CONCLUSIONS

The main factor in ensuring the structural restructuring of the economy, the introduction of innovative developments, the modernization of fixed assets of enterprises, as a result, accelerating economic growth and improving the quality of products is investment, and in the process of attracting investment, a favorable investment climate plays an important role.

To improve the efficiency of regional management, it is necessary to conduct a comprehensive assessment of those sectors of the economy that form the basis of a particular region of the country.

5. REFERENCES

1. De Prato, G., Nepelski, D. & Piroli, G. (2015). Innovation Radar: Identifying Innovations and Innovators with High Potential in ICT FP7, CIP & H2020 Projects. JRC Scientific and Policy Reports.
2. Muminovna M. D., Akbarzhon N. ORGANIZATION AND PLANNING OF SMALL BUSINESS AND ENTREPRENEURSHIP ACTIVITY // IQTISODIYOT VA ZAMONAVIY TEXNOLOGIYA JURNALI | JOURNAL OF ECONOMY AND MODERN TECHNOLOGY. – 2023. – T. 2. – №. 7. – C. 26-29.
3. Maier D, Verjel, A, Bercovici A, Maier A, (2017 a) - Innovation Management System - a Necessity for Business Performance, 29th International-Business-Information-Management-Association Conference, Vienna, Austria, May 03-04, 2017.
4. Le, T.T.H.; Nguyen, V.C.; Phan, T.H.N. Foreign Direct Investment, Environmental Pollution and Economic Growth—An Insight from Non-Linear ARDL Co-Integration Approach. Sustainability 2022, 14, 8146.
5. Eric Evans Osei Opoku, Samuel Adams, Olufemi Adewale Aluko, The foreign direct investment-environment nexus: Does emission disaggregation matter?, Energy Reports, Volume 7, 2021, Pages 778-787, ISSN 2352-4847.
6. Battiston, S., Dafermos, Y., & Monasterolo, I. (2021). Climate risks and financial stability. Journal of Financial Stability, 54, 100867.
7. Cullen, J. (2018). After 'HLEG': EU Banks, climate change abatement and the precautionary principle. Cambridge Yearbook of European Legal Studies, 20, 61-87.
8. Monasterolo, I., and Volz, U., 2020, Addressing climate-related financial risks and overcoming barriers to scaling-up sustainable investment, G20 Insights, Climate Change and Environment.