

The Role of Foreign Investment in Uzbekistan's Economic Development

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ABSTRACT: The article examines and analyzes the role and importance of foreign investment in the national economy. Attracting foreign investment in the country's economy is based on taking into account the level of socio-economic development of individual countries. Emphasis is placed on encouraging foreign private investment in sectors and industries of the national economy. The dynamics of per capita investment is studied and analyzed. The negative impact of the global pandemic on attracting and attracting investment is justified. A review of the materials on the topic led to conclusions and suggestions.

KEYWORDS: investment, foreign investment, foreign direct private investment, sources of investment financing, investment attractiveness, investment activity and etc.

Introduction

Today, the world economy is entering a phase in which each country is showing its share. This can be seen in social, economic and political processes at the same time. If we look at a single economic process, the role of investment in the national economy of each country is invaluable.

According to UNCTAD, global foreign direct investment fell by 42% in 2020, down from the level observed in the 1990s. Compared to 2019, it was \$ 1.5 trillion in 2019, down 42 percent year-on-year to \$ 859 billion. This was due to the COVID-19 pandemic. At the same time, the pandemic had a negative impact on developed countries, where foreign direct investment flows fell by 69% to \$ 229 billion. In developing countries, the figure fell 12 percent to \$ 616 billion. At the same time, the share of developing countries in world foreign investment reached 72%, the highest in history [1].

With the help of foreign investment, the existing production structure of the economy will be improved, modern high-tech productions will be built, personnel will be retrained and enterprises will be re-equipped with modern equipment, modern management achievements will be put into practice, high quality competitive products will appear in the domestic market. The volume of exports will increase, which will ensure the inflow of freely convertible foreign currency into the country.

Foreign investment contributes to the formation and strengthening of private entrepreneurship in countries with medium and low levels of economic development, attracts capital for large-scale projects and the creation of loan capital markets. In this regard, the theoretical analysis of the concept of "foreign investment" is very relevant.

Analysis of the relevant literature

Theoretical aspects of attracting and investing foreign investment in the economy have been studied by a number of scientists. In particular, it is worth quoting the following foreign scholars.

Sornaraja states: "Foreign investment is the transfer of tangible and intangible assets from one country to another for use in order to create material wealth under the full or partial control of the owner of the assets" [2].

As for the opinion of another foreign scholar, the 2nd edition of F. Henius' Dictionary of Foreign Trade, published in the United States in 1947, defines it as follows: exported investments "[3].

According to local scientists, A.Vakhabov, N.Haydarov, Sh.Mustafakulov and D.Gozibekov have conducted research on the characteristics of foreign investment and the forms of their attraction, their importance in ensuring economic development. In Haydarov's dissertation on investment, an investment is an individual or legal entity operating on the basis of entrepreneurship, regardless of the form of ownership, or any business entity whose assets are within the law in order to obtain economic and social benefits of the state. [4].

Analysis and results

Attracting foreign investment in the economy of our country is not only the implementation of new, promising projects in cooperation with foreign partners, but also, first of all, the introduction of new modern machinery and equipment, technology and know-how to ensure high quality products. aimed at riding. Most importantly, it is no exaggeration to say that attracting foreign investment on favorable terms will ultimately ensure the country's competitiveness and its ability to take its rightful place in the world market.

Enterprises with foreign investment play an important role in increasing export potential. It should be noted that the pandemic had the biggest negative impact on the region's export potential. At the end of 2020, the volume of exports decreased by almost 0.75 times compared to the same period last year due to a sharp decline in external demand.

The main means of ensuring sustainable socio-economic development of the region are investment resources, which serve as a basis for financing the most important investment projects (Table 1).

For 2016-2020, an average of 8-10% of the country's investment resources were directed to the development of the regional economy and social sphere. In terms of their use, the region ranked fourth and third among the regions of Uzbekistan. Relatively stable growth rates of investment activity were noted. During the period under review, the regional investment concentration index increased from 0.747 to 1,019.

1 – table

Key indicators of investment activity in Tashkent region [5]

| Indicators | 2016 y. | 2017 y. | 2018 y. | 2019 y. | 2020 y. |
|---|---------|---------|---------|---------|---------|
| Investment growth rates,% | 89.0 | 121.4 | 138.2 | 145.8 | 89.5 |
| Share of investments in GDP% | 11.1 | 18.3 | 24.4 | 33.8 | 28.8 |
| The share of investments in the total volume of investments in the country in general. | 5.3 | 8.2 | 9.0 | 10.4 | 9.0 |
| The role of the region in the volume of investments attracted among the regions of Uzbekistan | 3 | 4 | 3 | 3 | 3 |

There are some changes in the structure of investments by sources of funding (Table 2). From 2017, there is a general trend of a decrease in the share of centralized investments from 24.6% to 13.7% and a share of decentralized investments of 86.3%.

Table 2

Dynamics of changes in the structure of investment resources by sources of financing in Tashkent region (in percent) [6]

| Indicators | 2016 y. | 2017 y. | 2018 y. | 2019 y. | 2020 y. |
|---|---------|---------|---------|---------|---------|
| Investments, total: | 100 | 100 | 100 | 100 | 100 |
| Centralized investments: | 9.2 | 24.6 | 24.7 | 25 | 13.7 |
| budget funds | 5.1 | 5.1 | 12.7 | 14 | 10.1 |
| government-guaranteed foreign investments and loans funds | | 8.7 | 2.1 | 2 | |
| | 4.1 | 10.7 | 9.9 | 9 | 3.6 |
| Decentralized investments: | 90.8 | 75.4 | 75.3 | 75 | 86.3 |
| enterprise funds | 55.0 | 35.7 | 21.2 | 24 | 38.1 |
| loans from commercial banks | 18.5 | 17.6 | 15.5 | 11 | 8.0 |
| direct - foreign direct investment and loans | 13.7 | 6.6 | 28.3 | 25 | 30.8 |
| population funds | 3.6 | 15.5 | 9.6 | 10 | 9.4 |

The share of state budget funds allocated for investment projects increased from 5.1% to 10.1%. The share of foreign direct investment increased (from 13.7% to 30.8%). The amount of funds received from the population decreased (from 3.6% to 9.4%), as well as loans from commercial banks (from 18.5% to 8.0%) and enterprises (from 55.0% to 38.1%).

Significant growth in the volume and share of foreign direct investment is mainly due to the activities of enterprises with foreign investment in the region (Table 3).

Table 3

Indicators of placement of enterprises with foreign investment in Tashkent region [7]

| Indicators | 2016 y. | 2017 y. | 2018 y. | 2019 y. | 2020 y. |
|---|---------|---------|---------|---------|---------|
| Number of enterprises with foreign investment | 410 | 583 | 671 | 953 | 1170 |

In the last five years alone, 760 new enterprises with foreign investment have been established in the region. In this regard, their share in the total exports of the region increased from 1.8% to 36.0%

Table 4

Assessment of investment attractiveness of Tashkent region (2020) [8]

| The main components of the investment attractiveness index | Index price (0 to 1,000) | Place among regions of the country (14) |
|--|--------------------------|---|
| Level of socio-economic development | 0.977 | 3 |
| Level of financial security | 0.818 | 2 |
| The level of development of the market sector | 0.703 | 4 |
| The level of development of social infrastructure | 0.865 | 5 |
| Level of development of production infrastructure | 0.928 | 4 |
| General assessment of the level of investment attractiveness | 0.858 | 5 |

The city of Tashkent, Navoi, Kashkadarya and Samarkand regions are the regions with the highest level of investment attractiveness.

The average level of investment attractiveness includes Bukhara, Fergana, Andijan and Namangan regions. The remaining regions, such as Khorezm, Surkhandarya, Syrdarya, Jizzakh and the Republic of Karakalpakstan, are among the regions with the lowest level of investment attractiveness. This is mainly due to their low level of socio-economic development and low level of domestic financial capacity.

Foreign experience shows that countries are making serious efforts to improve the investment climate and attract foreign investment. Here are some of them:

- Simplify the procedure for registering investments ("one-stop shop" principle). For example, according to the World Bank's Doing Business 2018 ranking, Singapore ranks second in terms of ease of doing business. The company registration process is online and can take anywhere from a few hours to three days. [9]
- Granting property rights to foreign investors. after the 1990s, companies with 100% foreign investment began to appear in China. This has not been the case in China before.
- Exemption from certain taxes, introduction of tax holidays;
- To protect the interests of foreign investors
- Introduction of the item "condition of stabilization" in case of adoption of the legislation worsening condition of foreign investors;
- Introduction of accelerated depreciation;
- Availability of a regulatory framework that protects the interests and expected income of foreign investors.

It can be said that there is no single system for attracting foreign investment, each country creates its own scheme of attracting investment, taking into account the conditions, the availability of natural resources, the mentality of the people, demand and consumption. Based on the analysis of world experience, it is possible to try to use some tools and methods to encourage foreign investment in a particular country.

Over the past 20 years, the volume of foreign direct investment and unsecured loans attracted to the economy of Uzbekistan amounted to 25.3 billion US dollars, of which 11.8 billion US dollars over the past five years, dollars (47 percent). [10]

Uzbekistan's investment policy can be described as selective and prudent, which is determined by the high priorities of maintaining macroeconomic stability in the long run. In our opinion, it is advisable to use such a tool in our country as financial support for retraining and advanced training. There are regions in Uzbekistan where there is a surplus of labor, there is a labor force with higher and professional education, but now in Uzbekistan there is a demand for labor in industries that are not in high demand. Therefore, government funding for staff training encourages investors. By organizing retraining courses, as in the United States, it is possible to involve the country's universities in training and retraining. On the other hand, the government is interested in improving the skills of workers, and these investments will serve to develop the human resources of the republic. Direct practical assistance and measures to reduce the start-up time of investment projects such as Singapore will only increase the flow of foreign investment to the Republic.

The current model of financial and investment processes in the Republic of Uzbekistan is not effective enough in attracting investors. The securities market and the banking system of the Republic of Uzbekistan do not perform their functions adequately to accumulate domestic funds and turn them into investments. There is also a lack of confidence in the investment activities of companies and banks, or a low level of literacy in securities and investments. Although the main investors are enterprises themselves, the share of enterprises and the population in the structure of investments

by sources of financing is 29.3% of total investments. Thus, the total financial and investment potential of the country's economy is not fully used.

In addition to domestic resources, foreign investors can also be sources of investment.

To overcome the problem of attracting foreign investment, it is necessary to develop a comprehensive program to attract foreign investment in accordance with the priorities of national economic development. In this regard, it is planned to adopt the Investment Policy Strategy of the Republic of Uzbekistan until 2025. This strategy should be closely linked with the strategic development of production capacity in the Republic of Uzbekistan in the medium term and be aimed at creating a favorable investment climate. The draft strategy identifies the sectors and areas in which foreign capital should be invested.

All the above elements of foreign investment are important in attracting foreign capital. However, the choice of this or that form of attracting foreign capital and the conduct of appropriate public policy should take into account the internal characteristics of the country. However, it should be borne in mind that the goals of attracting foreign capital in different forms and the opportunities for their use are not the same at different levels of government. In this regard, when comparing different types of attracting foreign investment, first of all, it is necessary to take into account the goals and interests of the subjects of the investment process.

Conclusions and suggestions

Thus, there are problems with foreign investment in our country, the solution of which is important for the further development of Uzbekistan.

To do this, the following measures should be taken:

- introduction of laws and decrees aimed at improving the investment climate;
- creation of equal opportunities and benefits for foreign investors and domestic producers;
- bringing national accounting closer to international financial accounting standards;
- Accelerate the activities of joint ventures in foreign markets, stabilize foreign exchange inflows. This will further increase the convenience of the incentive system;
- It is necessary to study the practice of free export zones and achieve their introduction in our country.
- Establishment of joint ventures with foreign investors contributes to the economy of our country
- Attracting new, modern equipment and technologies to the economy of the republic, and their introduction into production will allow you to quickly get rid of old technology, which for many years produces low-quality products that do not meet customer demand.
- Provides more inflow of high-value currencies to our country through the production and export of quality products that can compete in the world market.

In short, the attraction of foreign investment in the national economy plays a special role in the high development of the state. The development of investment activities in the country will increase the effectiveness of supporting entrepreneurship and attracting foreign investment in the development of these activities in the regions.

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