

# Foreign Investments - A Factor of Economic Development

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## Abstract

The article shows the content of foreign investments, forms of attraction, their role in the development of the economy of Uzbekistan, offers and recommendations aimed at creating a favorable investment environment, as well as active attraction of foreign investments.

**Keywords:** Investment, foreign investment, innovation, investment climate, foreign direct investments, enterprises with foreign investment, investor.

## INTRODUCTION

Since the first years of independence, Uzbekistan has determined its own direction of development of the national economy. As a result of his timely understanding of the incomparable role of foreign investments in the development and stability of the economy, there was an increase in attention to investments, especially foreign investments, which led to the development of investment activities in our country. It should be noted that today's development of investment activity is a product of the rational investment policy of our government.

In today's fast development, globalization, ongoing financial and economic crises in the world, "trade wars", geopolitical processes, and pandemics, ensuring economic stability is gaining political, economic and social importance. In terms of ensuring economic stability and economic growth, the President of the Republic of Uzbekistan Shavkat Mirziyoyev said, "Economic growth is achieved, first of all, by creating competitive industrial chains and increasing investments in such projects. At the same time, it is necessary to reduce the participation of the state in conducting investment policy and increase the share of private and direct investments. ...In general, in 2020, it is necessary to absorb investments worth 23 billion US dollars [1]." Therefore, any growth and productivity is directly dependent on investments.

## ANALYSIS OF LITERATURE ON THE TOPIC

The theoretical aspects of attracting foreign investments to the economy and their effective use have been studied by a number of scientists. In particular, it is appropriate to quote the opinions of foreign scientists below.

Referring to the opinions of another foreign scholar, F. Henius' 2nd edition of the dictionary of foreign trade, published in the USA in 1947, defines it as follows: "Foreign investment is the introduction from the territory of one country to the territory of another country, exported investments" [3].



If we look at the opinions of our local scientists, A. Vakhobov, N. Haydarov, Sh. Mustafakulov and D. Gozibekov have conducted scientific and research work on the characteristics of foreign investments and the forms of their attraction, their importance in ensuring economic development. In particular, Prof. N. In Haydarov's dissertation on investments, investment is a business entity, regardless of the form of ownership, that individuals and legal entities operating on the basis of entrepreneurship, or the state, in order to obtain economic and social benefits, invest their wealth in any business object that is within the scope of the law is spending" [4], he emphasized.

### ANALYSIS AND RESULTS

Attracting foreign investments to the economy of our country is not only the implementation of new, promising projects in cooperation with foreign partners, but also, first of all, it is the introduction of new modern machinery and equipment, technology and know-how, ensuring the high quality of the products produced on this basis. aimed at riding. The most important thing is that it is no exaggeration to say that bringing in investments from abroad on preferential terms will ultimately ensure the competitiveness of the country and be able to take its rightful place in the world market.

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

Investment resources, which serve as the basis for financing the most important investment projects, are the main means of ensuring sustainable social and economic development of the region (Table 1).

For the years 2016-2020, an average of 8-10 percent 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 took the fourth and third places among the regions of Uzbekistan. Relatively stable growth rates of investment activity were noted. In the analyzed period, the index of territorial concentration of investments increased from 0.747 to 1.019.

**Table 1 The main indicators of investment activity in Tashkent region [5]**

Indicators	2016	2017	2018	2019	2020
Investment growth rate, %	89.0	121.4	138.2	145.8	89.5
Share of investments in gross regional product %	11.1	18.3	24.4	33.8	28.8
The share of investments in the total volume of investments in the country as a whole	5.3	8.2	9.0	10.4	9.0
The place of the region in the volume of attracted investments among the regions of Uzbekistan	3	4	3	3	3



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

**Table 2 The dynamics of changes in the composition of investment resources by financing sources in the Tashkent region (in percent) [6]**

Indicators	2016	2017	2018	2019	2020
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
foreign investments and loans guaranteed by the government		8.7	2.1	2	
fund funds	4.1	10.7	9.9	9	3.6
Decentralized investments:	90.8	75.4	75.3	75	86.3
company 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 investments and loans	13.7	6.6	28.3	25	30.8
funds of the population	3.6	15.5	9.6	10	9.4

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

A significant increase in the volume and share of direct foreign investments is mainly related to the activities of enterprises with participation of foreign investments located in the region (Table 3).

**Table 3 Indicators of placement of enterprises with foreign investments in Tashkent region [7]**

Indicators	2016	2017	2018	2019	2020
Number of enterprises operating with foreign investments	410	583	671	953	1170

In the last five years alone, 760 new enterprises were established in the region with the participation of foreign investments. In this regard, their share in the total export volume of the region increased from 1.8 percent to 36.0 percent.



**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 social and economic development	0.977	3
Level of financial security	0.818	2
The level of development of the market sector	0.703	4
Level of development of social infrastructure	0.865	5
The level of development of production infrastructure	0.928	4
General assessment of investment attractiveness	0.858	5

In our republic, Tashkent city, Navoi, Kashkadarya and Samarkand regions are regions with a relatively high level of investment attractiveness.

Average investment attractiveness covers Bukhara, Ferghana Andijan, and Namangan regions. The remaining regions of Khorezm, Surkhandarya, Syrdarya, Jizzakh and the Republic of Karakalpakstan are among the regions with a low level of investment attractiveness. We can see that this is mainly characterized by the level of social and economic development and the low level of internal financial capabilities.

## CONCLUSIONS AND SUGGESTIONS

Thus, there are problems related to foreign investments in our republic, solving them is important for the further development of Uzbekistan.

For this, it is necessary to implement the following measures:

- Introduction of laws and decrees aimed at improving the investment environment;
- Creation of equal opportunities and benefits for foreign investors and national producers;
- Bringing national accounting closer to international financial accounting standards;
- Acceleration of activities of joint ventures directed to foreign markets, stabilization of currency flow. Increasing the comfort level of the incentive system;
- It is necessary to study the practice of free export zones and achieve their implementation in our country.

Establishing joint ventures with foreign investors is beneficial to the economy of our country:

- Attracting new, modern techniques and technologies to the republic's economy, and introducing them into production, allows to quickly get rid of the old techniques and technologies that have been producing low-quality products that cannot meet the customer's demand for several years.
- In exchange for the production and export of high-quality products that can compete in the world market, it will ensure the inflow of high-value currencies to our country.

In conclusion, the attraction of foreign investments to the national economy is of particular importance for the high development of the state. The development of the country's investment activity serves to increase the effectiveness of attracting foreign investments for the support of entrepreneurship and the development of this activity in the regions.

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