

## WAYS TO IMPROVE ATTRACTION OF FOREIGN INVESTMENTS TO OUR COUNTRY

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### Annotation:

In the article, the opinions of the world's leading scientists on the main directions and trends of attracting foreign investments to our country are studied, the current state of attracting foreign investments to our country is analyzed in terms of sectors, the rate of gross savings and the gross domestic product in Uzbekistan the change of real growth was analyzed, the dynamics of ICOR coefficients for fixed capital investments and foreign direct investments in 2010-2022 were analyzed, the description of the technologies used in attracting foreign investments and the improvement of attracting foreign investments based conclusions and proposals were developed and recommendations for application in our country were made.

**Keywords:** GDP, Foreign investments, centralized investment, decentralized investments, foreign capital, resource, SWOT analysis, ICOR coefficient.

## ПУТИ ПОВЫШЕНИЯ ПРИВЛЕЧЕНИЯ ИНОСТРАННЫХ ИНВЕСТИЦИЙ В НАШУ СТРАНУ

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### Аннотация:

В статье изучаются мнения ведущих ученых мира об основных направлениях и тенденциях привлечения иностранных инвестиций в нашу страну, анализируется современное состояние привлечения иностранных инвестиций в нашу страну по отраслям, нормам валовых сбережений и валового внутреннего продукта в Узбекистане проанализировано изменение реального роста, проанализирована динамика коэффициентов ICOR для инвестиций в основной капитал и прямых иностранных инвестиций в 2010-2022 годах, описание технологий, используемых при привлечении иностранных инвестиций и совершенствовании процесса привлечения иностранных инвестиций. Разработаны инвестиционно обоснованные выводы и предложения и даны рекомендации для применения в нашей стране.

**Ключевые слова:** ВВП, Иностранные инвестиции, централизованные инвестиции, децентрализованные инвестиции, иностранный капитал, ресурс, SWOT-анализ, коэффициент ICOR.

### Introduction

Today, to further increase the investment attractiveness of our country, special attention is paid to actively attracting investments to the country's economy and regions by continuing institutional and structural reforms to reduce the state's participation in the economy, comprehensive and balanced socio-economic

development of regions, cities, and districts, and improving the investment environment. is being directed. Attracting investments to the national economy requires any country to develop its investment policy. Currently, one of the most important tasks is to create favorable conditions for attracting foreign investments to the economy of our country, to introduce practical mechanisms for their legal protection, to further improve the investment environment, to expand production, and to increase its efficiency.

Foreign investment is an important part of the global economy, and joining the global economy is one of the main priorities of any country. Foreign investments are important for the national economy, they can have a positive effect on economic development by increasing capital accumulation above the level of domestic savings, supporting the balance of payments, and expanding the possibility of imports.

In his Address to the Oliy Majlis, President Sh.M.Mirziyoyev recognized the extremely important importance of investments in the development of the economy and the urgency of attracting them and expressed the following opinion: "World experience shows that any country that has pursued an active investment policy, its economy achieved stable growth. That is why investment is the driver of the economy, in Uzbek terms, the heart of the economy, it is no exaggeration. We will achieve rapid development of our economy only by actively attracting investments and launching new production facilities. Positive results in the economy make it possible to systematically solve the accumulated problems in the social sphere. We must all understand this deeply and organize our work on this basis." In fact, investment, especially foreign investment, is the main factor of economic development, and it is explained by:

- introduces modern techniques and technologies to production and develops the production of products intended for export;
- it makes it possible to start the production of imported goods and to direct foreign investments to the priority sectors of the economy and ultimately to ensure the standard of living of the population;
  - provides jobs for the growing population by developing small businesses, private entrepreneurship, and accelerating agricultural production;
- renews and technically re-equips outdated production capacities, material and technical base of enterprises;
- they will help to establish natural resource processing enterprises, and tax revenue will increase in the state budget.

According to the 26th purpose of the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 "On the new development strategy of Uzbekistan for 2022-2026", further improving the investment environment in the country and increasing its attractiveness, 120 billion US dollars in the next five years, including 70 billion the task of taking measures to attract foreign investments has been set. To achieve this goal, we must clearly define the factors of creating a favorable investment environment in the country and implement measures aimed at improving them.

### **Literature Review**

In the process of analyzing the literature on the subject, several leading economists and specialists of the world conducted scientific research on improving the attraction of foreign investments to our country. Among them, economic scientists of our country, Prof. D. Gozibekov interpreted it as follows: "it consists of obtaining funds from clear and reliable sources, mobilizing them in a reasonable manner, taking into account the level of risks, maintaining the value of the capital and obtaining the intended effect. According to these signs, investments are fundamentally different from other investments. Based on all this, the involvement of capital in the process of movement reflects the essence of investment. Also Prof. D. Gozibekov revealed the essence of investments in macroeconomic and macro-level and financial theory. According to the scientist,

investments at the macro-economic level mean a part of the expenditures made for the reproduction of the means of production, the growth of the housing fund, stock of goods, etc. At the macro level and in the theory of production, investment refers to the process of organizing the reproduction of new capital, including means of production and intellectual potential. In the theory of finance, it means to invest in real or financial assets, that is, in fact, it is an expense made now to obtain income in the future. In other words, it is the exchange of today's certain value with an uncertain future value. When talking about the term investment in foreign literature, the first attention is paid to stock markets and stock exchanges, because in the leading developed countries, investments are made mainly in the form of securities.

For example, economist A.M. Margolin in the book "Investment" defines "Investments - capital investments in the form of cash, trust funds, securities, technology, machinery, fixed assets and other property, as well as property with monetary value and inclusion of non-property rights in production and other objects of activity in view of the strategic goals of investors.

U. Sharp, laureate of the Nobel Prize in Economics, said: "Investment is giving up certain value in the present in order to obtain (perhaps uncertain) value in the future".

Professor A. Neshitoy, the author of the "Investitsii" textbook, describes the content of investments as follows: "...in order to make a profit or achieve other results, it is necessary to implement entrepreneurial projects, socio-economic programs, and innovation projects in various sectors of one's own or another country. "is the long-term placement of directed funds (capital)"<sup>1</sup>.

The general definition of foreign investment is given in the 2nd edition of the foreign trade dictionary published in the USA in 1947 by F. Henius as follows: "Foreign investment is an investment made from the territory of one country to the territory of another country, exported"<sup>2</sup>.

### **Research Methodology**

Economic research methods such as analysis of research conducted by world scientists on ways to improve the attraction of foreign investments to our country, collection of all information on the topic, comparison, and logical thinking were used.

### **Analysis and discussion of results**

As a result of attracting foreign investments and their effective use, new industrial enterprises are being created in our country. This, in turn, makes it possible to produce high-quality and highly competitive products, most importantly, to create new jobs, as well as to increase the export potential of our country. This situation determines the relevance of the topic of this research work. Foreign direct investment is a type of cross-border investment in which a resident of one economy invests in an enterprise resident in another economy to control or influence its management.

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<sup>1</sup> Нешитой А.С. Инвестиции: учебник 4-е изд. М: Дашков и К, 2006.С.13

<sup>2</sup> Dictionary of Foreign Trade. by F.Henus Sec/ Ed. N4.,1947, P.387.

**Table 1 Cumulative target indicators of centralized and decentralized investment utilization in 2022-2026, bln. soum<sup>3</sup>**

T/r	Funding sources	Total in 2022 - 2026	2022 year	2023 year	2024 year	2025 year	2026 year
	<b>Total capital deposits</b>	<b>2 025 200</b>	<b>298 772</b>	<b>346 848</b>	<b>400 318</b>	<b>457 659</b>	<b>521 603</b>
	that's it including:						
<b>1.</b>	<b>Centralized investments:</b>	<b>344 309</b>	<b>50,767</b>	<b>61 480</b>	<b>72 378</b>	<b>76 106</b>	<b>83 579</b>
1.1.	Budget funds	136 669	23,790	25,017	28,074	29,400	30 388
1.2.	Uzbekistan _ Republic Recovery and development fund funds (in soums)	17 614	1 613.2	3 100	3 450	4 514	4 937
	million _ USA in dollars	1 352	142 *	258	271	335	345
1.3.	Uzbekistan _ Republic warranty under foreign loans (in soums)	190,027	25 363	33 364	40 854	42 192	48 255
	million _ USA in dollars	14 738	2 240	2 780	3 212	3 129	3 376
<b>2.</b>	<b>Decentralized investments:</b>	<b>1 680 891</b>	<b>248 006</b>	<b>285 368</b>	<b>327 940</b>	<b>381 553</b>	<b>438 024</b>
2.1.	Enterprise funds, that's it including enterprises _ own at his disposal to be left taxes	478 234	69 433	76 926	92 465	110 384	129,026
2.2.	Commerce banks loans and another debt funds _	338 864	49 606	53 696	64 861	79 242	91 458
2.3.	Straight away foreign investments and loans (in soums)	714 278	107 621	130 186	141 024	157,094	178 353
	million _ USA in dollars	55 572	9 506	10,849	11,087	11 651	12 479
2.4.	Population funds	149 515	21 346	24,560	29,590	34 833	39 187

\* In addition, 300 mln. of the Recovery and Development Fund. USD funds will be directed to the authorized fund of "Almalik KMK" JSC for project financing.

Explanation. It can be clarified and updated on the basis of the decisions of the President of the Republic of Uzbekistan and the Cabinet of Ministers, as well as on the basis of the development concepts of sectors and regions approved annually.

The data in Table 1 above provides a complete picture of the expected evolution of centralized and decentralized absorption of investments in Uzbekistan from 2022 to 2026. This trend shows a significant year-on-year increase in total capital investment, reflecting the government's focus on promoting economic development.

Centralized investments: From 2022 to 2026, a steady increase in the direction of centralized investments is expected. These funds are provided primarily from budget funds, the Reconstruction and Development Fund of the Republic of Uzbekistan, and foreign loans under the guarantee of the Republic of Uzbekistan.

Decentralized investments: They are expected to account for a significant share of total investments with a strong growth trend from 2022 to 2026.

Enterprise funds: This includes discretionary taxes left on businesses. An increase in these funds may indicate improved business profitability, which may indicate private sector growth.

<sup>3</sup> It was prepared by the author based on the data of the Statistical Agency under the President of the Republic of Uzbekistan.

Commercial bank loans and other debt funds: Sustained growth in this category can deepen the financial sector and increase access to credit for businesses and individuals.

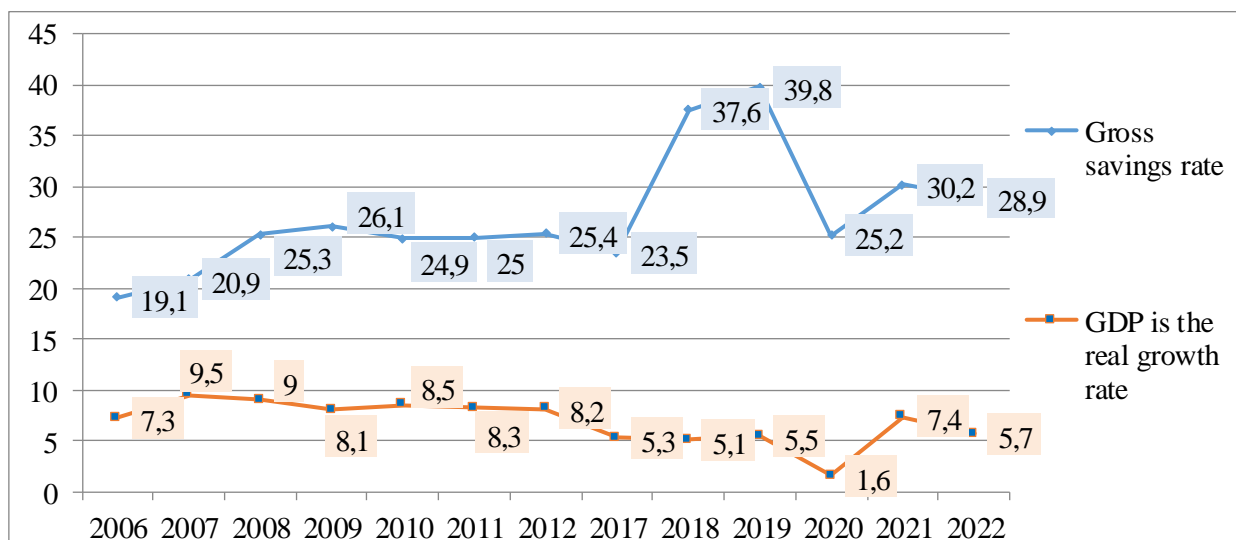
Foreign direct investments and loans: The significant and increasing amount of direct investments and loans in soums indicates that Uzbekistan is an attractive place for foreign investors. This may be due to business-friendly reforms and higher income opportunities.

Public funds: This represents money invested by individuals, perhaps in the form of savings or personal investments. Growth in this category may indicate rising incomes and increased confidence in the domestic economy.

Assessing the attractiveness and potential of the investment environment in accordance with the rapidly expanding investment processes in the world, the influence of the rational location of productive forces on them, and the identification of factors that cause natural demographic, administrative-economic, and socio-political differences between regions. , forming a balanced regional investment policy, improving the scientific basis of increasing the competitiveness of the national economy by ensuring investment activity is becoming important.

Economic reforms: Uzbekistan has implemented important economic reforms to liberalize the economy, improve the business environment, and encourage local and foreign investments. The flow of such investments increased the rate of accumulation and, in turn, had a positive effect on the growth of the gross domestic product.

Infrastructure development: Uzbekistan is investing heavily in infrastructure development, including transport, communal services and housing. These investments stimulate economic activity directly (through construction and related industries) and indirectly (through improved productivity and connectivity for other industries) and lead to increased GDP.



**Figure 1. Changes in the rate of gross savings and the real growth of the gross domestic product in Uzbekistan, in percent <sup>4</sup>**

According to the data in Figure 1, the direct relationship between the rate of accumulation or the level of investments in Uzbekistan and the growth rate of GDP is evidence of a basic economic principle. gives: an increase in investment usually leads to economic growth. This relationship has become particularly

<sup>4</sup> It was prepared by the author based on the data of the Statistical Agency under the President of the Republic of Uzbekistan.

pronounced in recent years due to several factors:

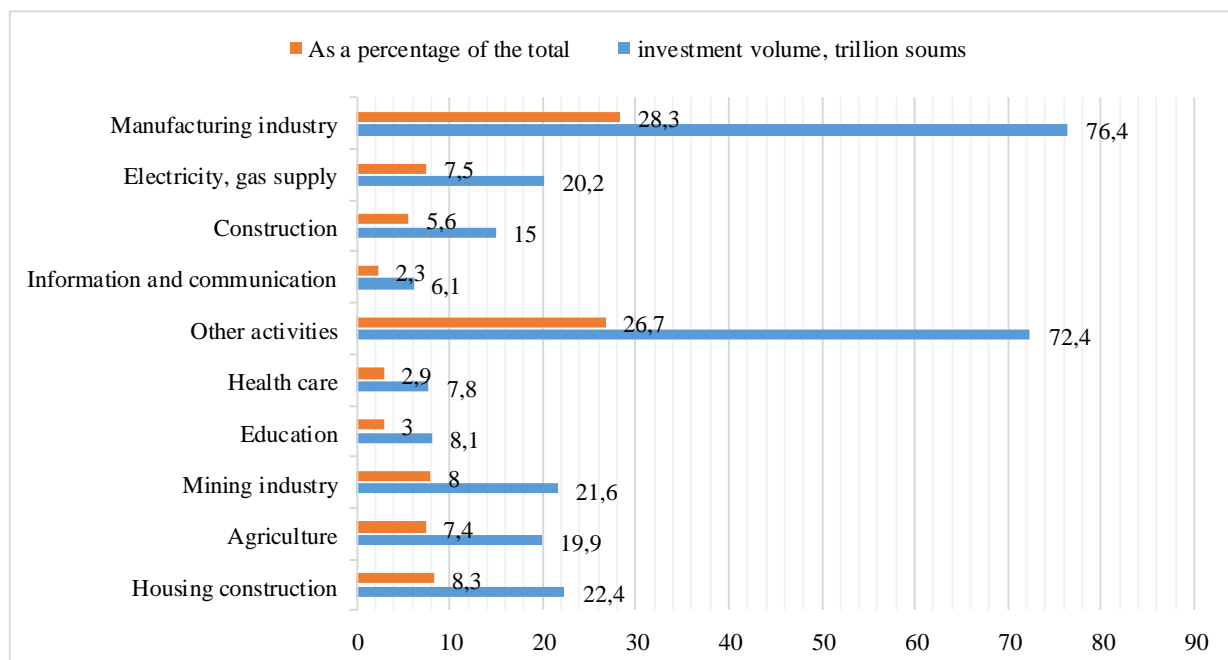
**Diversification of the sector:** To diversify the economy of Uzbekistan, a large amount of investment has been made, in particular, in such areas as information technology, tourism, and service. This diversification led to large-scale economic growth, which was reflected in the growth of the gross domestic product.

As a result of the active investment policy in the years of independence, the volume of investments in the economy increased more than 17 times, in 2007-2022, more than 269,9 billion sums were invested.

It should be noted that inefficient investments in fixed capital led to low returns on fixed capital and, as a result, did not encourage the attraction of external investors. In 2022, in the structure of fixed capital investments, expenditures on modernization and renewal of production, technical, and technological re-equipment dominated with a stable 28.3%. In this case, the main part of investments in fixed capital is directed to the development of the primary and secondary sectors of the economy, and in connection with their focus on raw materials, the share of added value is much lower than in high-tech sectors of the economy.

While these sectors have traditionally been the backbone of many economies, they can be sensitive to fluctuations in global commodity prices and offer lower added value than technologically advanced sectors. This focus on raw materials can limit the overall return on investment and reduce attractiveness to outside investors looking for higher value-added opportunities.

Studies show that the state of attracting foreign direct investments and their effective use of the national economy depends on the internal market and the volume of exports, the availability of natural and mineral resources, the availability of skilled labor, the pace of market reforms, and economic stability factors. is a bond.



**Figure 2. Investments in fixed capital by types of economic activity, as a percentage of the total<sup>5</sup>**

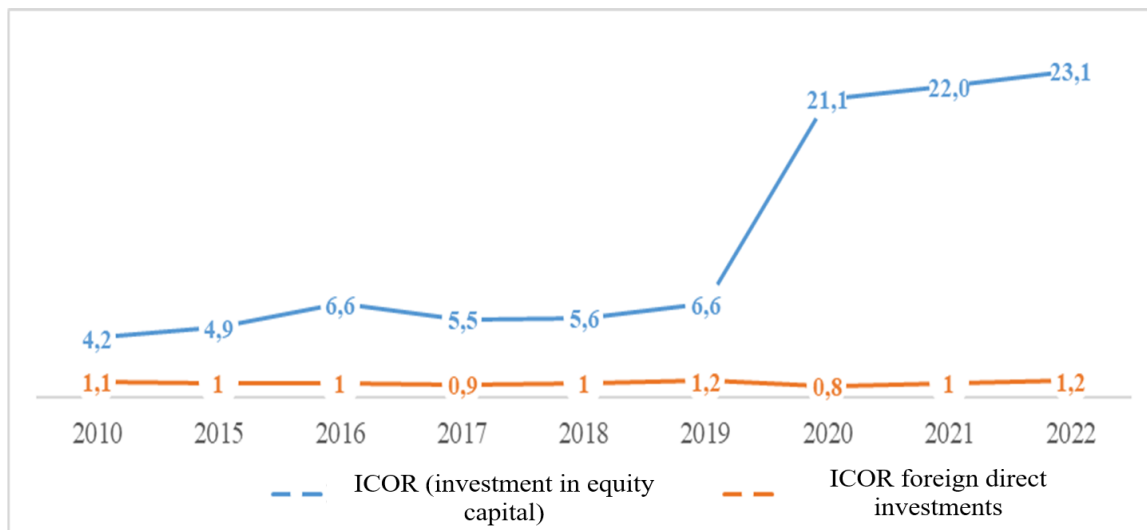
The relationship between the indicators in Figure 2 shows that during the period under study, investments in fixed capital had almost no effect on the growth of GDP growth rates. In our opinion, the obtained results

<sup>5</sup> It was prepared by the author based on the data of the Statistical Agency under the President of the Republic of Uzbekistan.

are determined by the fact that the growth of the republic's economy is mainly not due to foreign investments, but more due to internal investments.

In particular, the GDP of the country increased by only three times while investments in fixed capital increased by 6 times. This indicates the low efficiency of investment use. Inefficient use of domestic investments in fixed capital limits foreign investors. For comparison, in countries such as Germany, Greece, South Korea, Armenia, and Ukraine, this ratio shows a faster growth of GDP than the growth of fixed capital investment.

Therefore, if the dynamics of the ICOR (Incremental Capital Output Ratio) coefficient (an additional unit of capital required to produce an additional unit of output), which determines the efficiency of investments in fixed capital, had a somewhat positive trend in 1998-2007 (its decrease to 2.1 was recorded), a negative trend occurred in 2010-2020 and this coefficient increased to 21.1. By the end of 2022, the volume of foreign investments was 11.1 billion dollars, which was fulfilled by 113% compared to the annual forecast (Fig.3).



**Figure 3. Dynamics of fixed capital investment and ICOR coefficients for direct foreign investments in 2010-2022<sup>6</sup>**

Theoretically, it is necessary to activate the attraction of foreign direct investments in the economy of Uzbekistan, which should improve the balance of payments. However, the repatriation of investors' income to the country of origin may cause some negative consequences, and in order to reduce these negative consequences, the country receiving foreign direct investment needs to set other tax rates or incentives.

An important factor in the effective use of foreign direct investment affecting the state of the balance of payments is the degree to which enterprises with foreign investments are inclined to export<sup>7</sup>. In order to empirically assess this relationship, based on the assessment of the capacity of the economy of Uzbekistan to attract foreign direct investment in the medium and long term, an assessment of the impact of foreign investments on the balance of the balance of payments account of current operations was carried out.

Before we think about the promising directions of attracting foreign investments, it is appropriate to consider how it can affect the national economy of a developing country in positive and negative aspects using the following SWOT analysis.

<sup>6</sup> It was prepared by the author based on the data of the Statistical Agency under the President of the Republic of Uzbekistan.

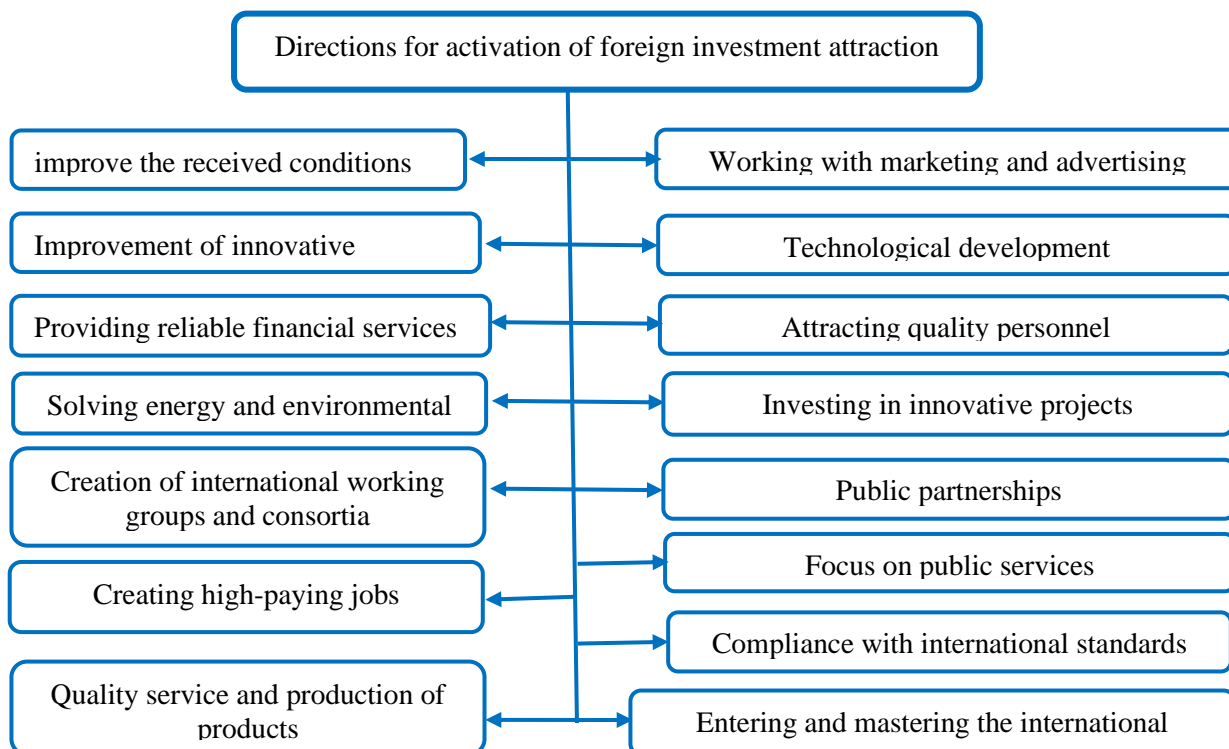
<sup>7</sup> Thirlwall A.P. The Balance of Payments Constraint as an Explanation of International Growth Rate Differences // Banca Nazionale del Lavoro Quarterly Review. 1979. Vol. 32. Iss. 128. P. 45-53.

On the one hand, the strengths of attracting foreign investments to the country and what opportunities it will create in the future, how this situation will affect the national economy in the future, how it will contribute to its development, and how it will improve the socio-economic lifestyle of the country analyzed, on the other hand, what the weak points when foreign investments are attracted to the country's economy, and what risks it may cause in the future (Table 2).

**2-jadval Foreign investment SWOT analysis <sup>8</sup>**

Strengths	Opportunities
<ul style="list-style-type: none"> <li>✓ Entry of foreign currency into the country</li> <li>✓ Introduction of modern techniques and technologies</li> <li>✓ Entry of foreign experience</li> <li>✓ Economic integration</li> <li>✓ Construction of infrastructure</li> <li>✓ Development of various fields</li> <li>✓ Creation of new jobs</li> <li>✓ Further increase in investment attractiveness</li> </ul>	<ul style="list-style-type: none"> <li>✓ Currency reduces risk in foreign trade</li> <li>✓ It makes it possible to start production more efficiently</li> <li>✓ Tested and successful projects will be implemented abroad</li> <li>✓ It will lead to the improvement of economic and diplomatic relations</li> <li>✓ Infrastructure will be improved not only in the center, but also in the peripheral areas</li> <li>✓ It contributes to the development of not only leading sectors, but also neglected sectors</li> <li>✓ It creates a basis for employment of the population in the area where the investment is made</li> <li>✓ Other investors will also want to invest in the country</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>✓ Inefficient use of resources</li> <li>✓ Operation of foreign investor only for profit</li> <li>✓ The risk of monopoly</li> <li>✓ Capturing an undersaturated market</li> <li>✓ Economic dependence</li> </ul>	<ul style="list-style-type: none"> <li>✓ May cause resource shortages</li> <li>✓ It may not contribute to the development of economy and society</li> <li>✓ There is a risk that the price will be set at will by the monopolist, not according to the market equilibrium</li> <li>✓ It creates a risk of limiting the potential of local investors</li> <li>✓ In the event that an investment is made as a debt, it creates the risk of not being able to return it</li> </ul>

Today, developed countries are effectively using a number of promising directions to activate the attraction of foreign investments (Fig.4)



**Figure 4. Prospective directions of activation of attracting foreign investments <sup>9</sup>**

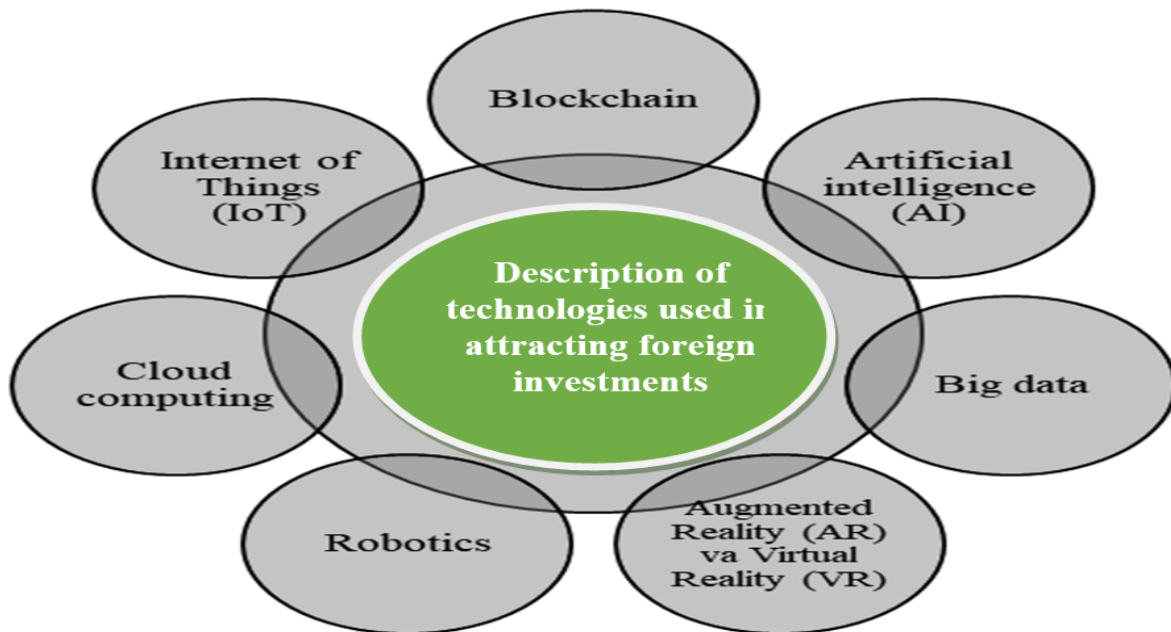
<sup>8</sup> Developed by the author.



In today's technological era, there is an opportunity to use various methods to attract foreign investments, and we can witness that developed countries are using these methods effectively.

These methods and other indicators can be useful for countries in attracting foreign investments.

Technological innovations and new methods such as virtual investment platforms show a high level of efficiency in attracting investments, as well as provide an opportunity to effectively use modern technologies. Modern technologies for attracting foreign investment are as follows (Figure 5):



**Figure 5. Description of technologies used in attracting foreign investments <sup>10</sup>**

These technologies, in addition to showing a high level of efficiency in attracting investments, open new opportunities for investors by identifying high potential in the economy of countries, showing investment opportunities, automating investment practices and ensuring security, actively attracting investments to the investor. helps.

In conclusion, it can be said that based on the world practice and experience, it is no longer possible to solve the problems that hinder the investment and innovation activity of business by simple means, by giving incentives or publishing new declarative norms. Liberalization of business activities is required to activate private investments. It is necessary to work diligently to identify and overcome obstacles that prevent the development of certain sectors, constant dialogue with business. In this regard, it is possible to increase the flow of foreign investments by actively working in the following directions.

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