

ISSUES OF CREATING A FAVORABLE INVESTMENT ENVIRONMENT IN THE STRATEGIC DEVELOPMENT OF THE LEADING INDUSTRY OF UZBEKISTAN

Guzal Umarova,

*PhD, associate professor of "Economics of Branches", Tashkent State University of Economics,
Tashkent city, Republic of Uzbekistan*

Abstract: *In this article have been analyzed the issues of creating a favorable investment climate for the strategic development of the industry. As an important regulatory support for attracting foreign investment, proposals were made on the activities of industry, the image of the industry, the formation of a favorable and prosperous investment climate, the promotion and improvement of investment activities.*

Key words: *comfortable investment environment, foreign investment, product, potential, joint venture, product production capacity, high added value, processing, modernization, diversification.*

Introduction

In the process of gradual economic and institutional reforms since the early years of our independence, an investment policy has been pursued in accordance with the requirements of market principles and a favorable investment climate has been created for foreign investors. All this has allowed to attract investment in sectors of the national economy and significantly intensify investment activity. The systemic industrial policy of our state is aimed at diversifying and modernizing the national economy and increasing its competitiveness, supporting the development of leading industries, actively attracting investment in them, including increasing export potential by deepening the processing of local raw materials. In his speech, President Mirziyoyev said: "We will achieve rapid development of our economy only by actively attracting investment and launching new production facilities. Positive results in the economy will allow us to systematically solve the problems in the social sphere." [1].

Literature review

The problems of investment, investment resources and their management have been studied in the scientific works of a number of foreign and domestic scientists. Including G.Alexander, Dj. Beyli, V.G. The works of such scientists as Zolotogorov, A.V.Mertens, L.I.Pavlova, L.N.Pavlova, F.S.Tumusov, U.Sharp can be noted [10]. This study argues that economic growth cannot be achieved without the constant expansion of investment attraction, even in developing and developed market economies [7].

In recent years, large-scale socio-economic reforms in our country have been deepening, and radical qualitative and quantitative changes are taking place in various sectors and industries of the national economy. This is evidenced by macroeconomic stability, sustainable economic growth and rising living standards. The importance of investment in these positive changes is immeasurable. In the implementation of public investment programs, investment in the economy of Uzbekistan has become a key priority, primarily through the mobilization of domestic resources, accelerated modernization of key sectors of our economy, technical and technological re-equipment, further development of transport communications and construction of social infrastructure.

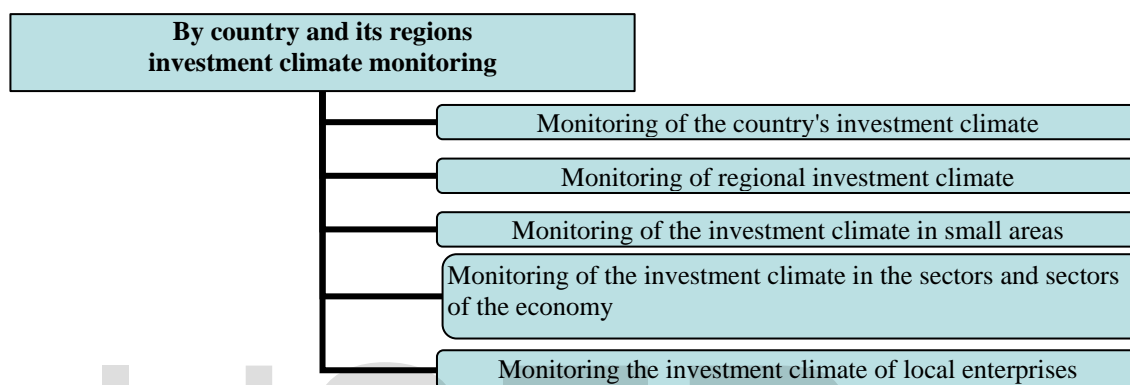
At the current stage of market reforms in the country during the pandemic, investment policy is becoming an important factor determining the stability, structural and qualitative changes in the economy. Consistent investment policy has allowed to create a favorable and all-round favorable investment climate for foreign and domestic investors in our country [12].

In economic science and practice, the concept of "investment environment" is used for a comprehensive analysis of the conditions for the rational use of investments [11]. The investment climate creates new opportunities and incentives to invest effectively. In other words, the creation of a favorable investment climate will ensure an increase in revenues and a reduction in costs and risks for enterprises. As a result, the creation of a favorable investment climate will ensure the growth of labor productivity, the introduction of innovations, quality and product competitiveness, increased employment, increased tax payments to the budget at various levels. Developed countries account for 65% and developing countries for 35% of foreign direct investment [4]. For industries and services, the size and growth of the domestic market are key factors in making investment decisions [8].

Analysis and results

In our view, Uzbekistan is primarily interested in creating new capacities and production on its territory, which will lay the foundation for the modernization of the economy and increase competitiveness. In our opinion, attracting foreign investment to Uzbekistan should be considered as an additional source of funding for investment projects. Foreign investment can complement local investment, but cannot replace them. The search for internal resources is a priority in activating the investment activities of local enterprises.

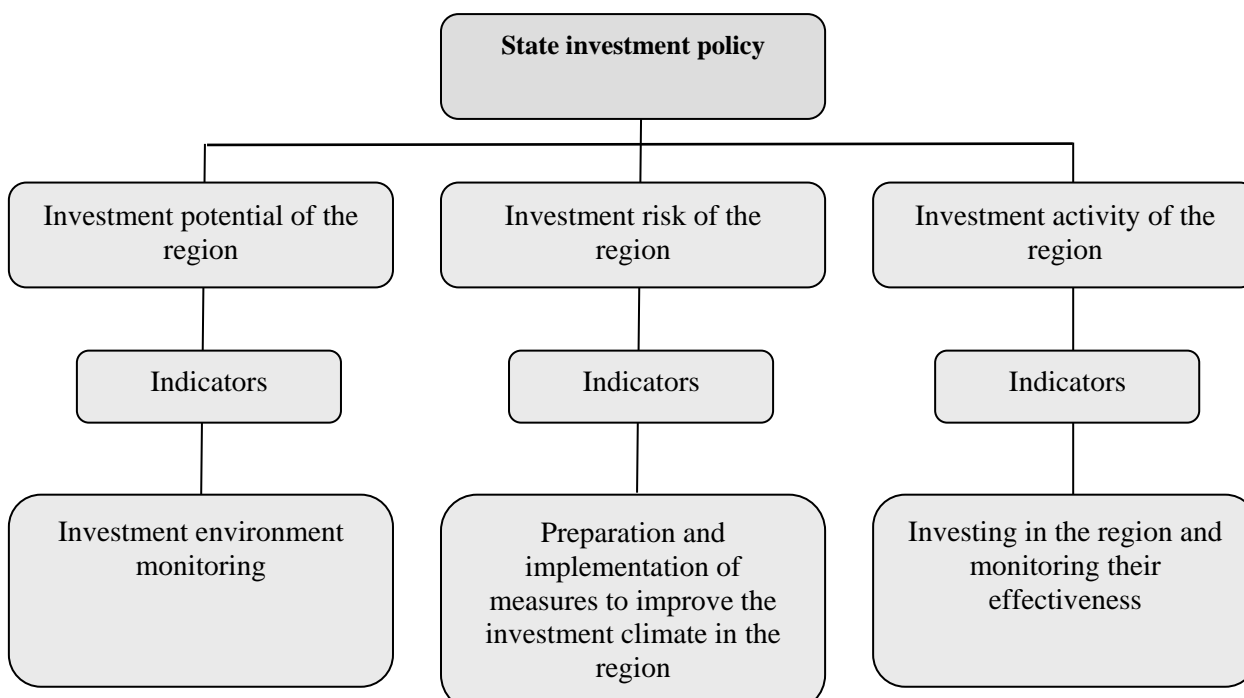
In our opinion, due to the need for effective regulation of investment activities by the state, it is necessary to conduct a comprehensive and multi-level analysis of the investment climate of the country, region, industry on a regular basis. The investment climate of any economic system is always an emergency that changes for the better or for the worse, especially in a transition economy. Therefore, there is a need for constant monitoring of the investment climate. That is, in our opinion, it is advisable to conduct regular monitoring systems at the regional and sectoral levels in the country and its regions. This will serve to increase the effectiveness of the republic's investment policy. With this in mind, we analyze the investment policy formed in the process of economic reforms in the country and the mechanisms for its implementation. Accordingly, we propose a five-step model of monitoring the investment climate (Figure 1).



Source: Based on the author's research.

Fig.1. Multilevel investment climate monitoring organization system

The creation of an investment climate at the level of economic entities is described as one of the macroeconomic factors indicating investment activity. Given this specific importance of the investment climate, it is necessary to organize its management. The impact of regional investment policy on the investment environment through management factors will contribute to improving the quality of investment conditions. Management of the country and regional investment climate is carried out by legal, administrative, organizational, financial, economic means. Figure 2 presents the principles of managing the regional investment climate.



Source: Based on the author's research.

Fig.2. Principles of regional investment climate management

The main economic factors in the formation of a favorable investment climate are stable rates of economic development and the existence of market institutions and, above all, strong economic legislation, a developed credit and banking system.

At present, we can see that the Republic of Uzbekistan has created an economically favorable investment climate through the following factors:

- availability of a wide range of incentives;
- Encouraging the rapid development of private property;
- The need for accelerated development of priority industries;
- support for the modernization of existing facilities and the construction of new ones in all sectors of the economy;
- Stimulation of export potential and competitiveness of products;
- support for increasing the share and volume of exported finished products.

According to the Central Bank of Uzbekistan, the net inflow of foreign direct investment (FDI) in 2018 amounted to \$ 624 million, which is three times less than in 2017. This decline is due to an increase in “returnable” investments in product sharing agreements, which amounted to \$ 1 billion in 2018 (\$ 524 million in 2017). In 2017, a large amount of funds was directed by foreign investors to the construction and installation work on the organization of mineral extraction. The volume of net portfolio investments by foreign investors increased from \$ 3 million in 2017 to \$ 13 million in 2018. In the first quarter of 2019, the net inflow of foreign direct investment amounted to \$ 198 million, which is twice less than in the same period last year. This is due to the increase in investment repatriation under PSAs [3]. However, excluding PSA, net growth in equity investment was \$ 158 million, up 60 percent from the same period last year. In the quarter of 2019, the reinvestment of income of foreign investors increased by 6% compared to the same period last year. The sharp increase in portfolio investment to \$ 1 billion is due to the successful placement of Eurobonds earlier this year. These statistics do not provide a complete picture of the attraction and development of foreign direct investment. Thus, according to the Ministry of Investment and Foreign Trade, \$ 783.3 million of direct investments were disbursed in the first quarter. Compared to the same period in 2018 (\$ 325.8 million), the increase was \$ 457.5 million or 2.4 times. The number of enterprises with foreign investment is another indicator of investment activity. Thus, according to the State Statistics Committee, at the end of the first half of the year there were 9014 such enterprises, and in six months they grew by 19.2%, despite an increase of 37% compared to 2018. The Russian Federation, Turkey, China, Kazakhstan and Korea dominate here. The volume of direct investments in the metallurgical industry (2.4 times compared to 2018), textile industry (2.7 times), food industry (3.1 times) and pharmaceutical industry (6.3 times) has doubled. It was also noted the growth of the sector of projects under the regional subordination - the volume of direct investment in the regions increased by four times compared to 2018. In general, Uzbekistan has the advantages of macroeconomic stability, which, along with the ongoing reforms, opens up opportunities in various sectors of the economy, such as financial services, construction or tourism. According to the Boston Consulting Group, the investment potential for the next decade will reach \$ 65 billion, of which \$ 20 billion will come from the non-food industry. The investment potential of traditional sectors for foreign investment, such as fuel and energy, mining, agriculture and textiles, has not been fully realized [2]. There are also great opportunities for Uzbekistan to develop in relatively new areas - the financial and banking sector, construction, telecommunications and tourism [9]. In developed countries, with low interest rates, in fast-growing markets, the opportunity to earn high returns is appealing to foreign investors. Existing risks also have great potential [5].

Conclusions

In conclusion, we can say that the investment climate in Uzbekistan is improving. The country's openness is growing, difficulties and problems are being recognized, and concrete measures are being taken to overcome them. The interest of foreign investors, including institutional investors, is growing. Given the pace of reforms, including the liberalization of financial markets, access to global capital markets and the creation of an effective system of protection of property rights, Uzbekistan can become a very attractive country for investment in the near future.

Encouraging enterprises with foreign investment in our country will directly help to address the following issues:

- Attracting new modern equipment and technologies to the economy of the republic, their introduction into production, getting rid of old equipment and technologies that for several years produce low-quality products that do not meet customer requirements;
- creation of new jobs and employment of the unemployed, as well as the introduction of best foreign management practices, thereby increasing labor productivity;
- Ensuring more inflow of freely convertible currencies in the country through the production and export of quality products that meet the requirements of the world market;
- high share of the state budget in the structure of sources of investment financing and their gradual reduction;
- It is expedient to develop a separate state program to improve the financial condition of enterprises;

- The lack of modern methods of financial management in enterprises and the creation of a basis for its development;
- It is necessary to create and develop a system of impartial information services in the form of non-state ownership in order to provide the necessary information base for domestic and foreign investors.

References:

1. Bob Tricker – Corporate Governance, Principles, Policies and Practices, 3rd edition, Oxford online resources center, 2012. -904 pp.
2. Investment Analysis. Gareth D. Myles. May 2010. -285 pp.
3. 2015 Investment Company. Fact Book. A Review of Trends and Activities in the U.S.A. Investment Company Industry. Copyright © 2015 by the Investment Company Institute. All rights reserved. -312 pp.
4. Steen Thomsen & Martin Conyon – Corporate Governance, mechanisms and systems. McGraw-Hill Higher Education UK, 2012. -367 pp.
5. Anokhin I.V. Enterprise Development Management: Strategic Management, Innovation, Investments, Prices: Textbook. -M.: Publishing house of trade corporation "Dashkov and Co", 2012. -380 p.
6. Damodaran A. Investment appraisal: Tools and methods for appraising any assets: Translated from English - 4th ed. - M.: Alpina Business Books, 2007. -1340 p.
7. Umarova G. THE ROLE OF INVESTMENT IN THE COUNTRY AND ITS THEORETICAL FUNDAMENTALS. International Journal of Scientific & Engineering Research Volume 11, Issue 10, October-2020.
8. Umarova G. Strategic Development in the Textile Industry. Asian Journal of Technology & Management Research (AJTMR) ISSN: 2249 –0892 Vol9 Issue–2, Dec -2019.
9. Kirill, K., Bobir, T., & Ziedulla, H. (2018). Estimation methodology of efficiency of production capacity management at textile enterprises. Бюллетень науки и практики, 4(1).
10. Ortikmirzaevich, T. B. (2018). Distinctive features of organization of production at light industry enterprises. Zbornik radova Departmana za geografiju, turizam i hotelijerstvo, (47-1), 88-93.
11. Yuldoshev, N., Tursunov, B., & Qozoqov, S. (2018). Use of artificial intelligence methods in operational planning of textile production. Journal of process management. New technologies, 6(2), 41-51.
12. Турсунов, Б. О. (2017). Стратегия развития легкой промышленности Республики Узбекистан. Вестник Института экономики РАН, (5).
13. www.worldeconomics.com