



IMPORTANCE OF DIRECT INVESTMENT IN THE COUNTRY'S ECONOMY: THEORY AND PRACTICE

Navruzov Ikram Abdullaevich - Senior teacher of the department of

"Evaluation work and investments" of Tashkent University of Economics, Uzbekistan, Tashkent. E-mail:

navruzovikrom55@mail.ru

Article history:	Abstract:
Received: 30 th January 2024	<p>This article examines the essence of the attractiveness of the investment climate, the theory of international indices recognized by the world, which assesses the investment potential, the views of economists on increasing investment attractiveness in attracting foreign investment. At the same time, the methods of determining the investment flow of developed countries, the negative and positive factors affecting investment attractiveness are analyzed. In addition, the necessary mechanisms for attracting foreign investment and scientific conclusions and recommendations to increase investment attractiveness have been developed. If we want to increase the volume of foreign investment, it is necessary to increase the investment potential of enterprises, regional conditions and conditions to a more acceptable and higher level than others (competitors), as well as to stimulate domestic (national) investment. We need to focus on ensuring that it is holistic.</p>
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1. INTRODUCTION.

The analysis of the socio-economic changes taking place in our country shows that the modernization of the economy and the role of active investment policy are very important in the achievements and success. Accordingly, it is important to create an effective system for managing the socio-economic development of the regions of the republic, to study the theoretical and methodological basis for assessing the attractiveness and potential of their investment climate. In this regard, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved by Presidential Decree on February 7, 2017. According to him, the third priority is the further development and liberalization of the economy, which aims to actively attract foreign investment in the sectors and regions of the economy by improving the investment climate [1]. A number of such cases require a series of measures to improve the existing mechanism for attracting foreign investment to the country's economy and increase its efficiency in ensuring the competitiveness of national enterprises. In turn, the process of ensuring the competitiveness of national enterprises by attracting foreign investment in the country's economy is multifactorial integration. Therefore, a methodological

approach to indicators that assess the competitiveness of the national economy is required in this regard.

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2. LITERATURE REVIEW.

Defining a normative ratio between dividends and reinvestment in a country's dividend policy, protecting the rights of minority shareholders, increasing stock market prices, and expanding business activities can increase a company's investment attractiveness, which has a positive effect on the country's investment attractiveness [2].

The investment attractiveness of enterprises depends on the country's investment policy and the created investment climate. In particular, the investment climate is considered as a system of three elements: investment potential, investment risk and legal conditions [3].



Considering the factors influencing the formation of a favorable investment climate in the country/region, it should be noted that it is important for the country to be integrated in the world community in terms of investment attractiveness. The strategy of increasing the country's investment prestige is important for attracting foreign direct investment [4].

Interpretation of "investment potential" as a set of investment resources, consisting of part of the accumulated capital, expressed in the form of investment demand in the investment market, which has the potential to become a real investment demand that meets the material, financial and intellectual needs of capital reproduction reaches [5].

The attractiveness of the investment climate, the economic development of each region depends on the potential of capital and labor resources, the level of their use. It is generally accepted that the economic potential of a region and its potential is determined by

the production of vital goods through the efficient use of all the complex resources available there [6].

3. RESEARCH METHODOLOGY.

The role of foreign investment in ensuring the competitiveness of enterprises, the classification of risks affecting the activities of the enterprise, as well as scientific proposals and practical recommendations for improvement through the methods of systematic analysis were formed.

4. ANALYSIS AND DISCUSSION OF RESULTS.

The World Bank's ranking includes government-created administrative procedures for starting and running a business, as well as key factors related to the country's economic potential (market size, labor costs and ect.), as well as the risks that a potential investor may encounter [7].

Table 1

Ratings that reflect the investment climate and the attractiveness of countries for investors [8]

Rating	Rating organizations	Evaluated parameters	Source of information
Doing business	World Bank	Legal environment for doing business	Statistical and legal information, expert surveys
Global competitiveness index	World Economic Forum	Socio-economic parameters of countries	Statistics and surveys of company executives
Country Inactivity Index	Peace Fund	Existing risks for companies operating in the country	An internal system for collecting and analyzing information

Investment environment is widely used concept that covers all the issues that an investor should consider. The investor evaluates the advantages and disadvantages of investing in a particular country, as well as the ideology, policy, economy and culture of the country in which he intends to invest his capital [9].

Studies show that if the investment climate is good, on the one hand, it will increase domestic investment, and on the other hand, it will increase savings in relation to consumption as part of the planned expenditures. This is a guarantee of high economic growth [10].

As you can see in the picture above, the number of foreign shareholders in the stock market of

Uzbekistan in 2022 reached 3321, of which 328 are legal entities and 2993 are individuals. It is obvious that as a result of foreign investment in the stock market of Uzbekistan, along with the direct increase in the volume of production of enterprises, the share price of the enterprise in the secondary market will increase significantly.

The socio-economic development of the Republic of Uzbekistan and its becoming one of the most competitive countries in the world is closely linked with the investment policy of the country, the region and its economic sectors, as well as the investment attractiveness of individual enterprises [11].

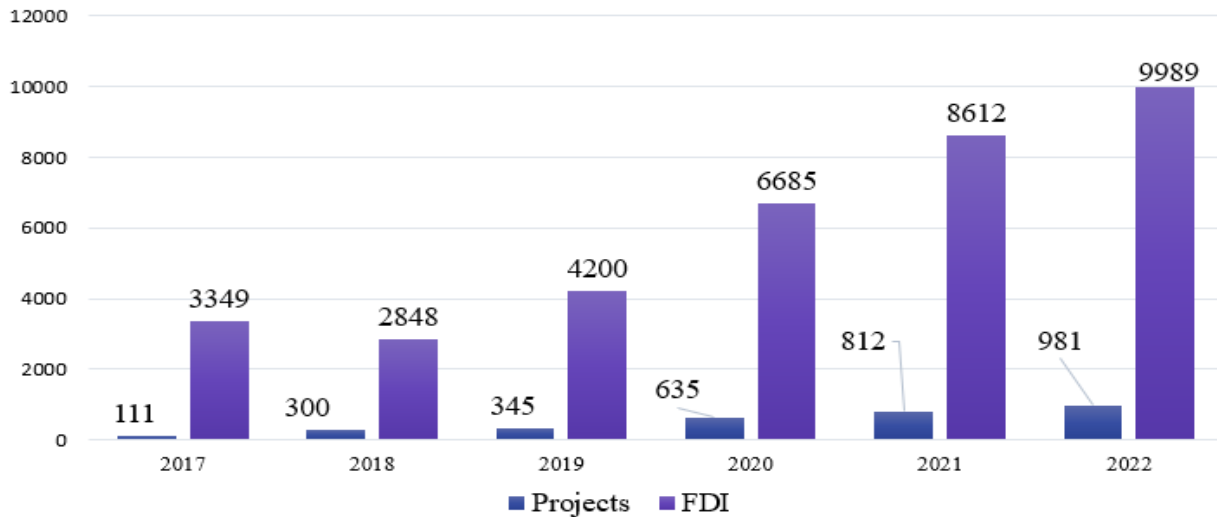


Figure 1. 2017 - 2022 flow of (FDI) Uzbekistan, million dollars [12]

In the above diagram, I can see the amount of direct investments attracted in relation to the number of investment projects implemented in Uzbekistan, according to our analysis, despite the large number of projects in 2017-2018, the investments made in 2018 it was determined that the amount was 2.8 million US dollars, which shows that the amount of investment depends not on the number of projects, but on the value of the project [13].

The socio-economic development of the Republic of Uzbekistan and its becoming one of the most competitive countries in the world is closely linked with the investment policy of the country, the region and its economic sectors, as well as the investment attractiveness of individual enterprises. It should be noted that the state's investment policy includes a set of measures to develop the country's priority sectors of the economy and the transition to decentralized investment processes in the process of centralized investment [14]. This, in turn, means reforms aimed at increasing the investment attractiveness of the country, which is the basis for creating a favorable investment climate for investors, who play an important role in attracting various investments [15].

The above figures show the indicators of foreign direct investment and loans in the framework of investment projects by region. It should be noted that in 2021, the use of foreign direct investment and loans will be several times higher than in 2018. At the same time, we can see that our country has an active policy of attracting foreign direct investment and loans from international financial institutions. This shows that the volume of investment in the country's economy is growing from year to year. The improvement of the

investment climate of enterprises operating in our country can be seen in the share of investments in fixed assets in the table above, which is reflected in the table above [16].

5. CONCLUSIONS AND SUGGESTIONS.

Summarizing the above analysis and considerations, it should be noted that in the context of intensifying modernization processes, the state's medium and long-term investment strategy should focus on the following tasks:

- consistent implementation of structural changes aimed at ensuring high competitiveness of the national economy;
- development of programs for the targeted use of foreign investment for the full use of the territorial export potential and others.;
- optimizing the relationship between investors and the government to completely eliminate bureaucratic barriers and restrictions in the implementation of investment projects through digitalization and remote provision of public services;
- improving the system of attracting foreign investment in the implementation of strategically important projects, deepening the localization of production and expanding inter-sectoral industrial cooperation, economic growth and structural transformation of the economy;
- creating a favorable business environment based on high technology and creating high value-added joint projects [17].

Based on the above scientific suggestions and recommendations, their in-depth study, analysis and substantiation will yield results in the near future. It will



also have a positive effect on increasing the country's investment attractiveness by creating a favorable investment climate in the country.

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