



Economic Growth and Increasing Investment Attractiveness of the Region

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Abstract: This article examines the state of investment attractiveness, also on the basis of the investment attractiveness of the region to determine of economic growth. Investment attractiveness is one of the key factors in increasing the competitiveness and economic growth of the region. Measures to increase investment attractiveness are one of the main sections for the implementation of projects, strategies and programs for the country's economic development. In conclusion, recommendations were determined to further development of the industry.

Key words: investment, investment attractiveness, economic growth, region, increasing investment attractiveness.

Introduction

The current state of the economy requires the implementation of structural transformations aimed at the formation of competitive, vital production, based on certain factors, such as the investment climate, investment risk, investment potential, investment activity, which make up the investment attractiveness of the territory. In this regard, the implementation of strategies and mechanisms of state policy in the investment sphere, as well as the analysis of flexible and modifying interaction between market structures and government regulation, become especially relevant. Also, the practical achievement of the goals of the region's investment policy is associated with the creation and ensuring the effective functioning of the mechanism for its implementation.

One of the most pressing issues is the further deepening of structural changes in the economy of Uzbekistan and the acceleration of innovative activities of enterprises in the region, and in the context of modernization, effective investment management and consistent implementation of tasks in this area. Attracting investment resources to an innovative economy is a complex process, since it requires the strategic mobilization of all possible available innovative investment resources, including foreign investment. Innovative investments in themselves lead to large economic benefits in terms of economic development, including increased employment, higher wages and increased productivity, as well as the development and modernization of the real sector.

At the present stage of transformation of the economy of the Republic of Uzbekistan, which involves the transformation of structures, forms, methods of economic activity and changes in business activity in the economy, the problem of attracting investment and raising the domestic productive sector on this basis is

central. The direction and pace of further socio-economic transformations in the Republic of Uzbekistan and ultimately ensuring sustainable economic growth largely depend on its successful solution

Review of literature on the topic

In the context of increasing the country's economic growth, issues of investment attractiveness are one of the pressing problems of the world economy. Abroad M.A. Aseeva, S. M. Vdovin, T. N. Guskova, V. A. Tolmachev, V. Mashkin, L. V. Polunin, V. P. Savchuk, S. I. Primenko, E. G. Velichko, V. Trenev, A. Likhachev, A. P. Ivanov, I. V. Sakharova, E. Yu. Khrustalev studied problems related to the attractiveness of the investment climate. A. Yusupova dealt with issues related to attracting foreign investment in Uzbekistan.

In particular, Sh.I. Mustafakulov studied the issues of creating the necessary conditions for attracting foreign investment into the economy of the republic.

M.Kh. Nurmukhamidova, S.V. Mamazhanova, A.Kh. Shoev studied the issues of increasing the indicator of investment attractiveness and developing a system of measures for the economic development of regions.

Inflation problems, which are one of the important indicators affecting the investment climate, were studied by K.Y.Lee.

A. Vahabov, Sh. Khazhibakiev, N. Muminov and O. Sh. Sabirov dealt with issues of the investment climate.

Research on creating the necessary conditions for attracting foreign investment into the economy of the republic was carried out by D.G. Gozibekov, E.I. Nosirov.

Research methodology

The main goal of this study is to develop scientific and practical proposals and recommendations to increase the investment attractiveness of the region and, based on the recommendations reviewed, to show the key aspects affecting economic growth. The proposed scientific and practical proposals and recommendations can be used in the development of targeted state economic programs to improve the mechanism for increasing the investment attractiveness of regions.

This article used methods such as induction and deduction, targeted development, systematic and comparative analysis, expert assessment and economic statistics; problem analysis and systematization of research results were used in developing scientifically based conclusions and recommendations.

The article provides a review of existing research on the chosen topic, and develops scientific and practical proposals for improving the mechanisms of investment attractiveness of regions. An assessment of the factors and conditions for creating a favorable investment climate in the regions was carried out.

Analyzes and results

As you know, on June 29, 2018, Decree of the President of the Republic of Uzbekistan No. UP-5468 dated June 29, 2018 "On the Concept of Improving the Tax Policy of the Republic of Uzbekistan" was adopted; this document specifically notes "the existing systemic problems in this area, which should be carefully studied and One of the important directions of the Concept for improving the tax policy of the Republic of Uzbekistan was highlighted - maintaining a favorable regime for foreign investors and investments, their comprehensive support and reliable legal protection," and this serves as a determining factor in increasing the investment attractiveness of the regions of Uzbekistan.

The term "investment attractiveness" is quite well-known, but despite all this, there is no interpretation of it in any textbook or dictionary. Investment attractiveness as a condition for investment determines the

presence of such investment conditions that influence the investor's preferences in choosing a particular investment object, which is determined by the set of properties of the external and internal environment that determine the possibility of boundary transfer of investment resources.

In Uzbekistan, almost every potential investor can choose an object with acceptable investment conditions, if they provide reliable and complete statistics, analysis and conditions - information. According to O.Sh. Sabirov, the specifics of these conditions in general and their assessments in particular are most accurately reflected by the concepts of investment attractiveness (IP) and investment climate (IC). The set of natural-geographical, social, political, innovative, legislative and other conditions that ensure the maintenance, production and expansion of social and individual capital form the investment complex of the economic system. An objective assessment of these investment conditions as a whole for various investors and the satisfaction of public IC needs.

Investment attractiveness can also represent an integral characteristic of individual enterprises - objects of upcoming investment from the standpoint of development prospects, volumes and prospects for sales of products, efficiency of use of assets, their liquidity, state of solvency and financial stability. Investment attractiveness as a condition for the development of an enterprise is characterized by the state of economic development of the enterprise, with in which, with a high degree of probability, the investment can provide a satisfactory level of profit within a timeframe acceptable to the investor, or another positive effect can be achieved.

V.A. Tolmachev also defined investment attractiveness as a dynamic category, which represents a certain vector or system of vectors for the investment development of an enterprise.

Investment attractiveness as a set of indicators is a set of economic and financial indicators of an enterprise that determine the possibility of obtaining maximum profit as a result of investing capital with minimal investment risk. Assessment of investment attractiveness depends on all indicators that characterize the financial condition. However, if we narrow the problem, investors are interested in indicators that affect return on capital, share prices and the level of dividends.

Also, researchers V. Trenev and A. Likhachev developed a program to increase the investment attractiveness of the region. It clearly defines the main factors of this problem: The level of investment attractiveness of a territory is determined by a combination of factors, on the one hand, promoting investment activity, and on the other, preventing it.

The investment attractiveness of a territory is formed by 4 blocks of factors:

- investment potential;
- investment risk;
- investment activity;
- investment climate.

Investment potential is assessed based on the totality of "private" types of potential:

- resource and raw materials;
- production;
- infrastructural;
- innovative;
- labor and others.

Key factors attracting foreign investment to Uzbekistan:

- rich and diversified natural resources (gas, gold, cotton, hydropower resource base);
- socio-political, macroeconomic and financial stability;
- relatively low level of public debt and comfortable foreign exchange reserves;
- ambitious state investment program;
- the scale of the capacity of the domestic market with a population of 33 million;
- strategic geographical location between China and Europe

Overall, Uzbekistan has the advantage of macroeconomic stability, which, combined with ongoing reforms, is opening up opportunities in various sectors of the economy, be it financial services, construction or tourism. The investment potential for the next ten years, according to the Boston Consulting Group, reaches \$65 billion, of which non-resource sectors account for up to \$20 billion.

The investment potential of such traditional sectors for foreign investment as fuel and energy, mining, agriculture and textile production has not been fully realized.

There is also significant development potential in sectors that are relatively new to Uzbekistan - the financial and banking sector, construction, telecommunications and tourism.

With current low interest rates in countries with developed capital markets, Uzbekistan, with its fast-growing market, and the possibility of higher returns, looks attractive to foreign investors. Existing risks also carry great opportunities.

And the components of investment risk are:

- economic;
- social;
- criminal;
- environmental;
- financial;
- legislative.

Investment activity characterizes the intensity and scale of investment activity in the territory.

The investment climate to increase investment attractiveness refers to the conditions for the use of investments in the economy, in particular:

- legal framework;
- tax regime;
- institutional conditions for investment activity, the availability of investor support infrastructures;
- level of administrative barriers, etc.

It is known that any investor is interested in the reliability and efficiency of their capital investments. Consequently, the desired effect is achieved if the management of investment processes is built taking into account the objective interests of the owners of investment objects and investors. In this regard, in our country there are no restrictions on reinvesting the income of foreign investors in Uzbekistan; the income of a foreign investor can be used in any form at its discretion. A number of additional important laws and regulations have been adopted aimed at further increasing the country's investment

attractiveness. Also, many economists and scientists have conducted research and expressed their original approaches to this problem.

The economic conditions for investment in the region are most closely related to the economy of the region and are characterized by such indicators as the state of the industrial complex in the region, the level of development of agriculture, transport infrastructure, financial, investment and innovation activities. One of the main economic characteristics of regional activity is the volume of gross national product produced and its share in the total volume of the country's gross domestic product. This should also include the number of enterprises and personnel, production volume, cost of fixed assets, product profitability.

CM. Vdovin believes that the volumes and directions of investment are determined not only by the objectives of economic growth, but also by ensuring the sustainable development of society, which provides for a balance of economic, social, and environmental components. The priorities of investment activity are determined by state economic policy aimed at creating a favorable investment climate, stimulating the accelerated development of growth points in the economy, and creating institutional conditions for intensifying the investment process.

Also, according to Vdovin, the investment climate is formed on the basis of two components - investment attractiveness and investment activity. The limited investment resources at all stages of economic development intensify the competition for them between countries, regions, municipalities, and organizations, and encourage the search for more effective ways of investing. And investment attractiveness determines the vectors of investment movement. It is, on the one hand, factorial, and, on the other hand, resultant in nature, i.e. creates the prerequisites for increasing investment activity.

According to A. Yusupova, in the current conditions of dramatic changes in the global investment climate, the international movement of financial resources is acquiring a new character. It is obvious that today foreign investment is considered by countries around the world as an important factor in achieving high economic development."

The region's ability to attract investment is determined by the investment attractiveness of the regional economy. At the same time, the investment attractiveness of the region's economy must first of all meet certain requirements formed in the investment market. Regions that help attract investment into the economy with the help of qualitative and quantitative characteristics form investment attractiveness.

The simultaneous use of models for assessing investment attractiveness and forecasting the volume of investments allows us to develop a wide range of measures to change the investment attractiveness of the economic system, which allows us to achieve the same results. The investment volume forecasting model must take into account the trend of each indicator, which determines the investment attractiveness it will influence, and how much time passes between the impact on the indicator and the change in the state of investment attractiveness. M. Kh. Nurmukhamidova, S. V. Mamazhanova, A. Kh. Shoev recommend using correlation analysis to determine the time required to change the investment attractiveness of an economic system from the moment the corresponding indicator changes. The maximum value of the correlation coefficient represents the relationship between changes in capital flows and investment attractiveness. For example, according to M. Kh. Nurmukhamidova, S. V. Mamazhanova, A. Kh. Shoev, all indicators of the economic system that affect investment attractiveness can be described as follows, depending on the level of acceptability of the impact of the management organization:

- indicators that are practically unacceptable, 3-5 years;
- low impact indicators, 1.5–3 years;
- indicators that do not always fully perceive the impact, but change quickly, 6–12 months;

➤ “instant effect”, i.e. indicators of rapid response and short-term change of status, 3-6 months.

The global pandemic also negatively affected the country's economic growth. One of the tangible consequences of the pandemic was a decrease in investment activity. The volume of investments in fixed capital decreased by 8.2%. At the same time, it should be noted that a decline is observed in centralized investments by almost 35%, mainly due to a reduction in investments from the budget by 33.6% and foreign investments and loans guaranteed by the government by 28%. The volume of investments from non-centralized sources, on the contrary, grew by 2% at the end of the year, mainly due to an 11.2% increase in investments from enterprise funds. [5]. GDP in 2020 was 1.6%, significantly lower than in 2019 when it reached 5.6%. At the same time, Uzbekistan and Tajikistan became the only countries among 23 countries in the Europe and Central Asia region that demonstrated positive GDP growth in 2020. Uzbekistan's GDP growth is projected to range from 4.8% to 5% in 2021, provided that quarantine is not reintroduced throughout the country.

The reduction in centralized investments was due, on the one hand, to a higher social burden on the budget, and on the other hand, restrictions on attracting foreign loans under government guarantees, which, in principle, leads to an improvement in the structure of investments, since the increase in the volume of non-centralized investments indicates an increase in the investment activity of business and population, as well as the attractiveness of the country for foreign investors, who seem to have already positively assessed the resilience of the Uzbek economy to crisis phenomena.

Based on the above statistics, in 2021 the investment sector is the most affected part of our economy. This fact once again emphasizes the need for development of this sector.

Conclusions and recommendations

According to the World Bank, GDP growth in Uzbekistan fell sharply from 5.8% in 2019 to 1.6% in 2020. This was due to the introduction of quarantine restrictions and disruption to trade operations due to the pandemic. GDP growth is forecast to recover to 4.8% in 2021. However, the pace of growth may be affected by uncertainty surrounding the pace of the global economic recovery and the success of the country's COVID-19 vaccination campaign. GDP growth is forecast to be higher (up to 5.5%) in 2022 as the pace of population vaccinations accelerates and global economic disruptions ease.

Considering that the investment attractiveness of regions is directly related to economic growth, there is a need to develop programs for measures to increase the investment attractiveness of regions. In this regard, we can rely on existing programs, such as those developed by V. Trenev and A. Likhachev, to create a favorable environment for development and attracting investments and economic development, proposals will be developed for:

- reducing the main investment risks;
- development of a regulatory framework that promotes investment attraction;
- institutional events.

The development of a regulatory framework that will help attract investment in promising industries will include an action plan for the development and adoption of the necessary legislative acts and policy documents. Institutional measures to increase investment attractiveness involve the creation of an infrastructure to support investment activity. In particular, there must be created

- investment development agency;
- regional investment fund;
- regional venture fund;

- municipal collateral companies and regional collateral investment companies;
- a unified investment distribution network;
- support system for investment projects;
- PR service for investment activities.

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