

## **THE IMPORTANCE OF THE INVESTMENT CLIMATE IN THE INFLOW OF FOREIGN DIRECT INVESTMENT INTO THE COUNTRY**

Navruzov Ikram Abdullaevich

Senior Teacher of the Department of “Evaluation Work and Investments” of Tashkent Institute of Finance. Uzbekistan, Tashkent  
E-mail: navruzovikrom55@mail.ru

### **ABSTRACT**

In today’s era of globalization and fierce competition, it is difficult to imagine the sustainable development of the country’s economy without its active participation in world economic relations. Along with international trade, international investment flows based on mutually beneficial cooperation between the two countries are of great importance today. In turn, foreign investment will accelerate the pace of structural restructuring of the economies of developing countries. Attracting foreign investment as the most important direction will largely depend on the ongoing political and socio-economic reforms in a country. Foreign investment plays an important role at both the macro and micro levels, it determines the future of the individual business entity and the country as a whole, and is the driving force of the economy.

### **KEYWORDS**

Enterprise risk, investment potential of the enterprise, investment climate, innovation in enterprises, small business entities, innovation, investment process, companies.

### **Introduction**

Scientific and technological developments refer to the market, mostly foreign markets, markets outside the country. The market for scientific and technological developments is expanding rapidly in the 21st century, is being divided into new parts, and there is a need to use them more efficiently in manufacturing and services. This is due to the growing role of intellectual labor in the economy. In the 21st century, the market economy is characterized by the growth of demand for science and production, the growing importance of various services, especially information services. This is evidenced by the rapid growth of the Internet market. Therefore, in a highly competitive environment, it is impossible to lose one’s position, prestige, and break in a competitive environment [1]. Scientific and technical innovations apply to production on the condition that they become the property of the buyer or through the right or conditions of temporary use, being the property of its owner. Encourages manufacturers to innovate.

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 successes. Accordingly, it is important to create an effective system of enterprises, to study the

theoretical and methodological basis for assessing the attractiveness of their investment climate and potential.

## 2. Literature Review

According to A. Busigin, innovation is the renewal of fixed capital or products using science, technology and engineering [2].

According to R. Fatkhutdinov, innovation is the end result of innovation, and the change of management of the object is effective in social, economic, scientific, technical, environmental and other ways [3].

Foreign economists B. Needles, H. Anderson, and D. Caldwell consider “intangible assets to be intangible assets that constitute capital investment in acquired assets” [4].

Prof. A. Sheremet defines intangible assets in general as follows: assets that represent a legal and other legal relationship that has no intangible value, bring profit (income) to its owner for a certain period of time, create convenience for users [5].

Innovation is the process of ensuring the systematic and continuous introduction of all innovations in any field, regardless of the field of innovation, published innovations, technical and technological advances and technological processes, product supply and other areas [6].

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 [7].

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 [8].

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 [9].

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 [10].

Determining the ratio between dividends and reinvestment in a country’s dividend policy, protecting the rights of minority shareholders, increasing share prices, and expanding business activities can increase a company’s investment attractiveness, which has a positive impact on the country’s investment attractiveness [11].

Regardless of the field in which joint-stock companies operate in the country, one of the important tasks is to place additional financial resources, including attracting foreign investment. One of the most modern ways to attract investment in joint-stock companies is to use the IPO mechanism [12].

## 3. Research Methodology

The research methodology was the analysis of innovative activities of enterprises operating in developed countries. 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.

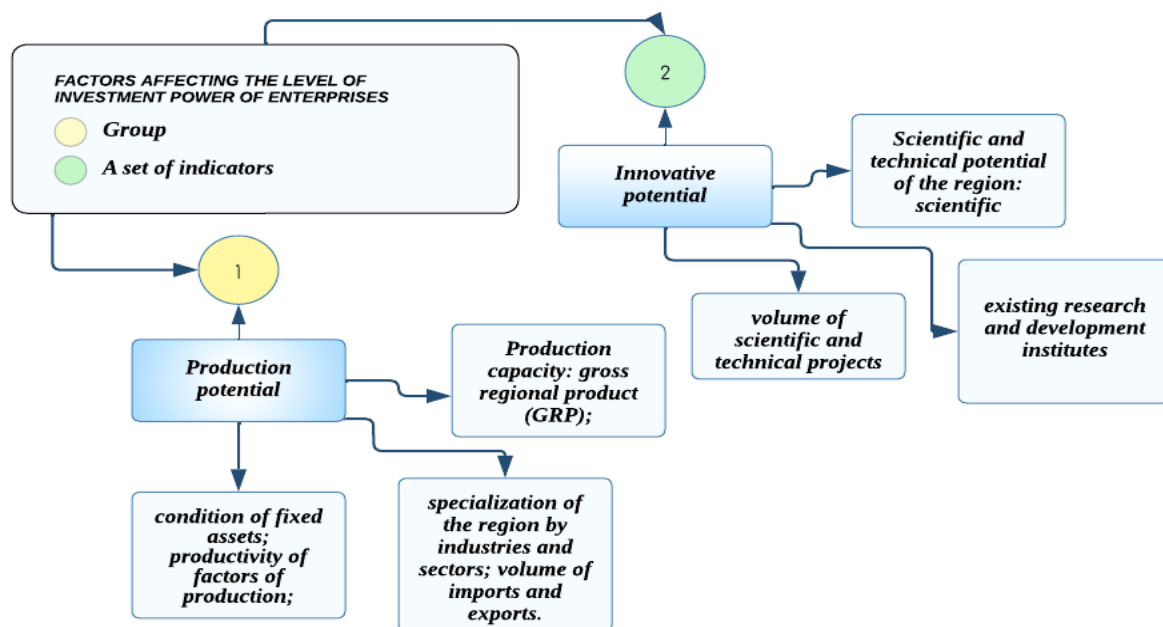
#### 4. Analysis and Discussion of Results

In the matter of creating a positive investment environment, it is necessary to interpret the globalization of the economy as the main process and, as a result, to expand the scope of acquiring investment resources, and in turn, to strengthen the competition among investors. If we want to increase the volume of foreign investments coming from abroad, we must make the investment potential of enterprises, regional conditions and conditions more acceptable and higher than others (competitors), and also to activate domestic (national) investments, the “climate” should be favorable and avoid excess risk. we need to focus on ensuring that.

The more favorable the investment environment, the lower the entrepreneurial risk of the investor, and this will activate the entry of investors. Conversely, if the investment environment is unfavorable, the level of risk is high. This leads to an increase in spending on the part of the recipient of the investment. The state of the investment environment is important not only for the investor, but also for the recipient of the investment.

In the current socio-economic conditions, the influx of investments depends on the development of innovative industries and the development of innovative entrepreneurship, the investment climate and the investment mechanism.

Studies show that if the investment climate is good, on the one hand, it allows for the growth of domestic investment, and the increase of savings in relation to consumption in the structure of planned expenses. This is a guarantee of high rates of economic growth.



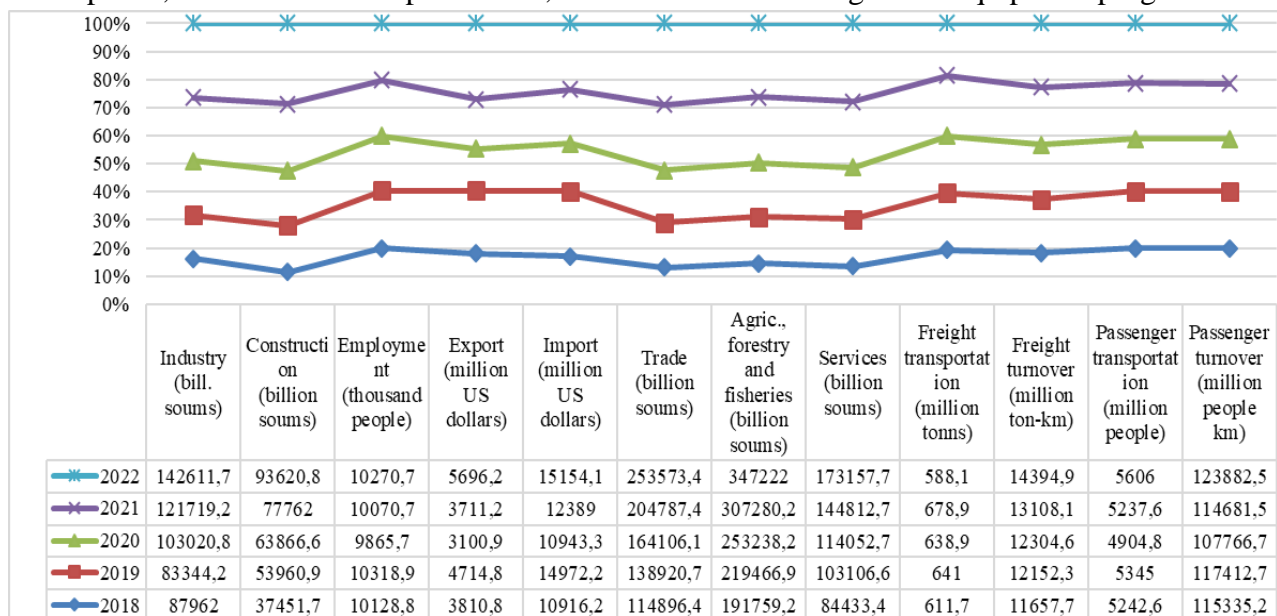
**Figure 1. Classification of investment potential of enterprises and factors [13]**

As a result of the active work of various factors of the investment potential of the above-mentioned enterprise, this concentration will allow the active inflow of foreign investment. And that, of course, creates more jobs, more income, more opportunities for economic growth. In addition, the most

important thing is that foreign investors not only bring capital into the business, but also bring advanced knowledge and experience from their home countries. This will allow the country to grow economically in the future.

In the process of globalization, strong competition encourages innovation in every field. The latest achievements in the field of technology, discoveries, innovations, rationalization proposals are rapidly introduced into the field of development and maintenance, and a new approach in marketing, management, production, services, new technologies, techniques and the introduction of a new generation of technology is a sign of investment. Replacing existing equipment and technology based on innovation can also mean an investment. The acquisition of new equipment and technologies based on the results of scientific and technological progress is also considered in terms of investment. The determinant of investment is the creation of innovations, rationalization proposals of large organizations and previously unpublished major developments.

The results of the above analysis serve to justify the role of foreign investment, especially direct investment, in further deepening structural changes in the economy, accelerating investment activities of enterprises, modernization of production, technical and technological re-equipment programs.



**Figure 2. The volume of key indicators of small business and private entrepreneurship in sectors of the economy [14]**

Recognizing the importance of the role of foreign direct investment in increasing the investment attractiveness of our country, a number of measures are being taken to attract these investments. Attracting and fully utilizing foreign direct investment contributes to the growth of employment and living standards in the country, improving the income of the population, increasing the investment attractiveness of our country in the international arena.

In the current context of developing a market economy, increasing the country's investment attractiveness is one of the most important indicators of capital inflows into the country. Policies to increase investment attractiveness also play an important role in attracting foreign direct investment to the country. "Economic growth is achieved primarily through the creation of competitive industrial chains and increased investment in such projects. At the same time, it is necessary to reduce public

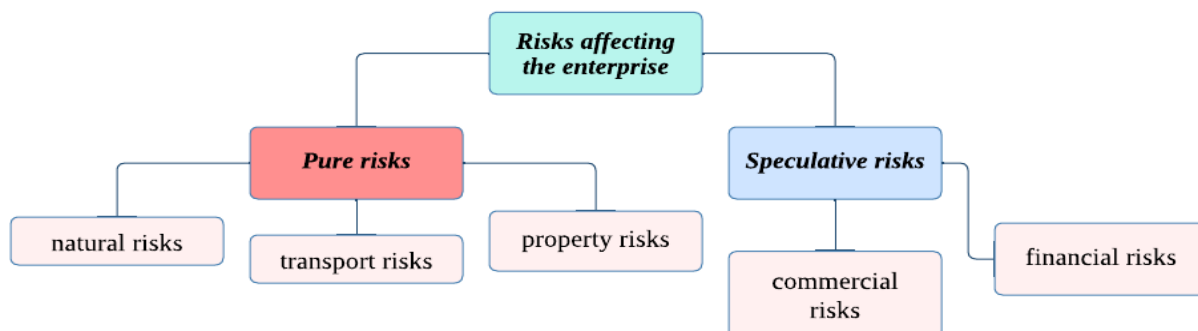
participation in investment policy and increase the share of private and direct investment” [15]. Therefore, the study of foreign direct investment is important to increase investment attractiveness. As a result of the active operation of various factors of the above-mentioned enterprise’s investment potential, this concentration allows active inflow of investments from abroad. This is the management policy of the enterprise aimed at eliminating or, if not, minimizing existing risks affecting the enterprise’s activities in the future. Then, the investment potential of enterprises will increase by itself.

**Table 1**  
**Investments in fixed assets [16]**

*billion soums*

Territories	2015	2016	2017	2018	2019	2020	2021
Republic of Uzbekistan	44810,4	51232,0	72155,2	124231,3	195927,3	210195,1	239552,6
Republic of Karakalpakstan	6021,2	3778,3	2822,0	6757,8	8750,6	7089,8	8110,7
Andijan	1956,5	2188,5	2986,0	4711,9	7452,1	9622,6	11176,6
Bukhara	4075,9	5922,9	11613,4	9610,9	10366,6	12183,9	20528,3
Jizzakh	1304,9	1449,7	1788,2	3606,3	7900,9	12545,4	9233,6
Kashkadarya	5894,7	7304,4	11175,3	16518,5	24462,5	20557,6	17359,1
Navoi	1809,1	2963,2	3977,9	10579,5	17646,3	15688,4	15020,1
Namangan	2227,5	2824,5	3586,7	8158,1	12084,9	12007,2	12982,0
Samarkand	3237,2	3623,5	4384,2	7061,4	10266,7	14656,4	15641,6
Surkhandarya	1843,6	2142,4	3551,0	7240,6	11835,1	10068,2	12037,8
Syrdarya	1083,3	1322,9	1628,0	2699,3	5869,1	7191,9	8051,8
Tashkent	4428,1	4238,7	5938,4	11226,9	20353,9	21148,6	28113,6
Fergana	2542,3	2643,6	2954,5	5539,1	8685,4	11040,0	12625,2
Khorezm	1531,5	1560,5	2175,9	3013,8	5032,0	5391,8	8292,0
Tashkent city	6854,6	9268,9	13573,7	26435,7	42458,1	50371,3	58172,7

This, of course, means additional jobs, additional income, and an additional opportunity for economic growth. In addition, the most important thing is that foreign investors bring not only capital to the enterprise, but also the advanced knowledge and experience of their countries. This will allow the future economic growth of the country.



**Figure 3. Capitalization of investment risks affecting the enterprise in the cross-section of networks [17]**



It can be seen that the above picture shows the classification of internal and external risks that have a negative impact on the investment potential of the enterprise, and it is necessary to have classical financial mechanisms of the enterprise to reduce the existing risks. For example, in order to reduce the risk of production, it is optimal for the enterprise not to work with only one type of product network, but to use the method of vertical diversification related to the presentation of various assortments of goods to the market. Also, in increasing the investment potential of the enterprise, it will be necessary to attract new technologies, increase the qualifications of employees, that is, to use a combination of investment directed at human capital, at the same time, to pay attention to innovative production.

## 5. Conclusions and Suggestions

The future results of innovative projects are effectively compared, the risks in the phases of the life cycle process are measured, and mitigation measures are developed through their management [18]. Summarizing the above analysis and comments, it should be noted that in the context of increasing modernization processes, it is necessary to accelerate the investment flow to the country through the medium and long-term investment strategy of enterprises, and as a result, the organization of innovative production and the creation of new jobs. It also creates the basis for a significant increase in the country's export potential. Another important aspect of foreign investment is that it has a positive effect on the further development of international integration processes of recipient countries [19]. This is a stepping stone for enterprises to enter the world investment arsenal with competitive products [20].

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