

## **THE NEED TO ATTRACT DIRECT INVESTMENTS IN THE DEVELOPMENT OF THE COUNTRY'S ECONOMY**

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<b>ABSTRACT</b>	<b>KEY WORDS</b>
This article examines direct investments, their role in the development of the country's economy, and their contribution to the development of the recipient country. Also, the opinions and researches of foreign and local scientists on direct investments and their importance in the development of the country's economy were studied, real statistical data on the investment environment of the republic were analyzed and a number of recommendations have been developed.	Investment, direct investment, investment environment, recipient, investment attractiveness.

### **Introduction**

In the process of today's economic globalization, the countries of the world make gaining their place in the world economy and achieving more progressive economic results from year to year an integral part of their strategic plan. Positive economic indicators are due to a number of factors, including an increase in the value of the annual gross domestic product produced in the country, an increase in the share of exports in the country's foreign trade turnover, the creation of new job vacancies, and the improvement of the infrastructure. Direct investment to the country is the most convenient and effective way to achieve the above-mentioned economic results.

If we look at the experience of developed countries, we can see that their socio-economic development and current position in the world economy are directly related to the weight of investments attracted to the country and the investment environment created in them. As our country's president Shavkat Mirziyoyev said: "World experience shows that any country that has pursued an active investment policy has achieved stable growth of its economy. That's why investment is the driver of the economy, it is no exaggeration to say that it is the heart of the economy in Uzbek terms. Along with investment, new technologies, advanced experiences, and highly qualified specialists will enter various industries and sectors, regions, and entrepreneurship will develop rapidly [1]". Therefore, direct investments not only attract capital from foreign investors to the country's economy, but also modernize the economy

by promoting techniques and technologies that meet world standards, bring in qualified specialists, and new innovative ideas.

To increase the effectiveness of the activities of the President of the Republic of Uzbekistan to attract foreign direct investments to the economy of our country, to inform foreign investors about the opportunities and potential of our country, to attract and utilize foreign investments, and PD-4300 of April 29, 2019 "On further improvement of the mechanisms of attracting foreign direct investments to the economy of the Republic [2] " adopted in order to improve the coordination of the activities of local executive bodies and local executive authorities shows how important the role of direct investment in the policy implemented in Uzbekistan is.

## **Analysis of literature on the topic**

Investment and direct investment is a comprehensive concept, which has been approached differently by local and global economists and experts in their scientific works. Foreign direct investment is defined as follows in the Law of the Republic of Uzbekistan "On Investments and Investment Activities" No. 598: "Direct Foreign investments are investments of a foreign investor without government guarantees, at the expense of own funds or debt funds in risky conditions [3]".

Economist Edward M. Graham in his manuscripts examines foreign direct investment from the perspective of finance, macroeconomics and microeconomics, accounting, and gives his conclusions. According to him, it is the capital invested by the investors (transnational corporations) of one country to another country in order to gain income by influencing the management of the enterprise [4]. According to G.M. Galeeva, the main factors of attracting foreign direct investment are access to markets and resources. The concentration of foreign capital only in certain regions and certain sectors limits the development of the economy of other regions, primarily affects the economy of undeveloped regions [5].

Russian scientist, professor A.S. Neshitoy describes the content of investments as follows: "it is the long-term placement of funds (capital) directed to the implementation of entrepreneurial projects, socio-economic programs and innovation projects in various sectors of one's own or another country in order to obtain profit or achieve other results. [6]".

Professor D. Gozibekov stated that investment consists of obtaining funds from specific and reliable sources, mobilizing them in a reasonable manner, maintaining capital value, taking into account the level of risks, and obtaining the intended effect [7].

Economists of our republic B.S. Mamatov, D. Yu. Khujamkulov, O.Sh. The Nurbekovs define foreign direct investment as follows: "Foreign direct investment is the capital of investments by the investing state or its economic entities. indicates the investor's direct right to securities or property, meaning that it will be placed in the economy of the host country [8]".

In our opinion, direct investment is a long-term form of capital placement that allows the investor to gain partial or complete control over the enterprise in the recipient country.

## **Research Methodology**

In this article, direct investments, their role in the development of the country's economy were studied theoretically and practically in the case of our country, as well as graphical grouping, economic-statistical analysis and comparative analysis as a research method. methods were used.

## Analysis and Results

At present, the development of the country's economy, the attraction of direct investments and their effective use are of great importance in achieving economic stability. After all, properly directed investments serve to develop entrepreneurship in the country and create a favorable business environment, increase the country's export potential, modernize the production and service process as a result of foreign experience, and increase the reputation of the republic at the world level.

At the same time, the inflow of foreign direct investments causes the emergence of new forms of ownership in the recipient country, and the improvement of existing forms. For example, the flow of foreign direct investments laid the foundation for the establishment of joint ventures in Uzbekistan and created the ground for the formation of foreign enterprises.

We can divide the factors affecting the ability of developing countries to attract foreign direct investments into five major groups:

- market factors (domestic market and export opportunities);
- availability and level of supply of natural resources;
- factors of production costs;
- current investment environment;
- the country's economic development strategy [8].

Therefore, if the amount of foreign direct investment attracted to the country is high and it is effectively used, it will make an incomparable contribution to the development and sustainable growth of the country's economy. The country's ability to attract direct investments directly depends on the investment environment and investment attractiveness created in it. The economic, social, financial, political, legal, environmental and other conditions and opportunities of the recipient country determine the healthy and comfortable investment environment. Realizing that direct investments will have a progressive effect on the country's economy, our country should create the necessary favorable conditions for investors in the Republic of Uzbekistan, increase the weight of foreign investments, increase the capital of foreign investors in the economy. Measures are being taken to attract development of various fields. As a result of the efforts made and effectively implemented measures, the volume of capital investments is increasing year by year (Table 1). The table shows the regional value of investments in fixed capital in our country in 2017-2022 in billion soums. As a result of the stable increase in the volume of investments attracted to our country during the last 6 years, in 2022, compared to 2017, our country had 194,084.8 billion soums or 3.6 times more investment was absorbed.

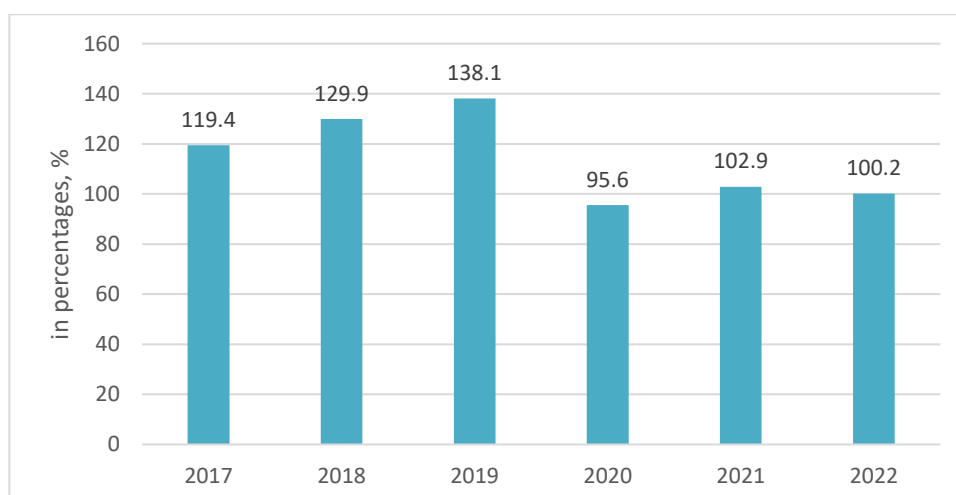
**Table 1. Investments in fixed capital by regions [9]**

*in billion soums*

Areas	2017	2018	2019	2020	2021	2022
<b>Republic of Uzbekistan</b>	<b>72155.2</b>	<b>124231</b>	<b>195927</b>	<b>210195</b>	<b>239553</b>	<b>266240</b>
Republic of Karakalpakstan	2822	6757.8	8750.6	7089.8	8110.7	10254
Andijan	2986	4711.9	7452.1	9622.6	11176.6	14339.8
Bukhara	11613.4	9610.9	10366.6	12183.9	20528.3	21638.3
Jizzakh	1788.2	3606.3	7900.9	12545.4	9233.6	10373.9
Kashkadarya	11175.3	16518.5	24462.5	20557.6	17359.1	16012.8
Navoi	3977.9	10579.5	17646.3	15688.4	15020.1	17958.1

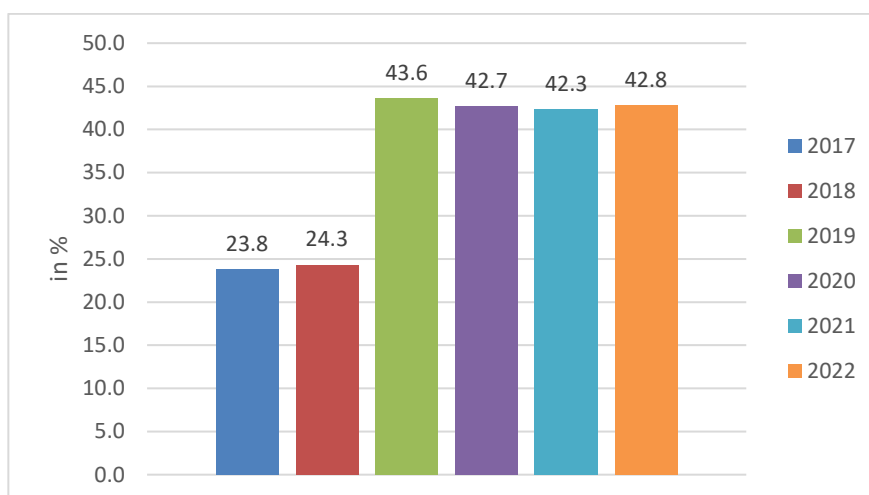
Namangan	3586.7	8158.1	12084.9	12007.2	12982	14775.1
Samarkand	4384.2	7061.4	10266.7	14656.4	15641.6	18917.1
Surkhandarya	3551	7240.6	11835.1	10068.2	12037.8	11569.4
Syr Darya	1628	2699.3	5869.1	7191.9	8051.8	12354.6
Tashkent region	5938.4	11226.9	20353.9	21148.6	28113.6	35767.7
Ferghana	2954.5	5539.1	8685.4	11040	12625.2	15419.3
Khorezm	2175.9	3013.8	5032	5391.8	8292	8769.7
Tashkent city	13573.7	26435.7	42458.1	50371.3	58172.7	56847.9

As a result of the state investment program, measures aimed at increasing the investment attractiveness of our republic, the growth rate of attracted investments in 2017-2019 reached 138.1%, and as a result of the pandemic that had a negative impact on the entire world economy these results were below 100% in 2020 for the first time since 2000 (Figure 1). It is clear from this that many more reforms should be continued in order to make our country one of the more attractive countries for investment.



**Figure 1. Growth rate of fixed capital investments in 2017-2023 (in %) [9]**

As a result of the investment environment created in our country and benefits from taxes, duties and other state payments provided to attract foreign investors, most of the capital investments in our country are accounted for by foreign investments (Figure 2). In 2017, almost a quarter of the total investments were foreign investments, and by 2022, this figure will be 42.8%. 97.0 trillion in 2022 from direct foreign investments and loans to the economy of our country. Sums of investments in fixed capital were absorbed, their share in the total investments in the Republic was 36.0%, and compared to 2021, it was 104.3% [9].



**Figure 2. The share of foreign investments and loans in fixed capital investments in 2017-2022 (in %) [9]**

### Conclusions and Suggestions

As a result of our research and studies, we can say that our country, the Republic of Uzbekistan, is among the countries whose investment potential is increasing year by year, the investment environment is improving year by year, and the opportunities, facilities, and tax and duty benefits offered to investors attract them to make active investments. Nevertheless, increasing the investment attractiveness of our country, taking into account the incomparable benefit and progressive impact of foreign direct investment on the country's economy, and its significant contribution to the wider promotion of modernization and innovation, it is desirable to develop new effective, innovative ways of attracting foreign direct investments in a larger volume.

Summing up from the above analysis, we can say that direct investments not only contribute to the development of the country's economy, but also lead to the emergence of new forms of ownership, the creation of new vacancies, the unemployment of the population. As a result of providing employment, unemployment will decrease, the life of the population will improve, and the scale and reputation of the recipient country will increase in the world. It is interesting to note that as a result of the flow of direct investments, new technologies are introduced, old devices and machines are replaced with modern ones that meet world standards, and more effective management methods are introduced. In order to increase the volume of foreign investments entering our republic, a number of recommendations and suggestions have been developed:

1. To reform the currency and monetary policy of our country, to further develop the stock market and to develop more effective methods of familiarizing foreign investors with the benefits offered to them;
2. To increase the volume, quality, and accuracy of open information on the republic's economy and the activities of its industries, and to ensure its transparency;
3. To improve the investment environment in our country, apply the experience of foreign countries that are considered attractive for investment, adapted to the conditions of our country.

We believe that the implementation of a number of promising proposals and recommendations given above will make our republic appear as a more attractive country for investment in the world in the coming years and reform many sectors of our economy through attracted direct investments. and contributes to improvement.

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