



WAYS TO IMPROVE THE FINANCING OF FIXED CAPITAL INVESTMENTS

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A B S T R A C T	K E Y W O R D S
The article explores ways to improve the financing of investments in fixed capital. It analyzes current challenges in the allocation and utilization of financial resources, including insufficient private sector involvement, limited diversification of funding sources, and inefficiencies in investment management. The study highlights the importance of strengthening public-private partnerships, expanding the role of commercial banks and investment funds, and adopting innovative financial instruments to enhance investment efficiency. Additionally, the article examines international best practices and their applicability to the context of Uzbekistan, offering practical recommendations to optimize investment processes. The proposed measures aim to increase capital inflows, ensure financial sustainability, and support the modernization and competitiveness of the national economy.	Fixed capital, investment, financing improvement, financial resources, public-private partnership, investment efficiency, innovative financing, economic growth.

Introduction

Financing fixed capital investments is a key factor in ensuring sustainable economic growth, modernizing production capacities, and introducing innovative technologies. In many countries, the efficiency of investment processes largely determines the competitiveness of the national economy. Despite recent improvements in Uzbekistan's investment environment, several challenges remain, including limited private sector participation, insufficient diversification of funding sources, and inefficiencies in allocating financial resources.

Improving the financing of fixed capital investments requires a comprehensive approach. Strengthening public-private partnerships can mobilize additional resources and share investment risks. Expanding the role of commercial banks, investment funds, and leasing mechanisms allows businesses to access long-term financing. Moreover, introducing innovative financial instruments, such as venture capital, green bonds, and project-based financing, can enhance investment efficiency and attract foreign capital.

Learning from international best practices is also essential. Countries like the United States, China, and Singapore demonstrate the benefits of combining state support with market-based investment mechanisms, promoting transparency, and creating favorable conditions for private and foreign

investors. Adapting such strategies to Uzbekistan's context can improve the allocation of resources, accelerate industrial modernization, and strengthen overall economic resilience.

Analysis and Result

The table shows the dynamics of GDP, investments in fixed capital, and foreign direct investment in Uzbekistan from 2020 to 2023. A significant increase in FDI is observed in 2023, indicating growing foreign investor interest.

Table 1 Dynamics of Foreign Direct Investment in Uzbekistan (trillion UZS)

Indicators	Yillar			
	2020	2021	2022	2023
GDP	605,5	738,4	896,6	1066,6
Investments in Fixed Capital	210,2	239,6	266,2	352,1
Foreign Direct Investment (FDI)	28,7	30,1	37,0	84,3

The data from 2020 to 2023 shows significant trends in Uzbekistan's economic development and the role of foreign direct investment (FDI) in financing fixed capital. **GDP Growth:** Uzbekistan's GDP increased from 605.5 trillion UZS in 2020 to 1,066.6 trillion UZS in 2023, reflecting a steady economic growth trend of nearly 76% over four years. This growth indicates an expanding economy, which creates favorable conditions for investment, both domestic and foreign. **Investments in Fixed Capital:** Investments in fixed capital grew from 210.2 trillion UZS in 2020 to 352.1 trillion UZS in 2023. This upward trend demonstrates increasing attention to infrastructure, industrial modernization, and technological upgrades. The growth in fixed capital investment aligns with GDP growth, suggesting a strong link between capital accumulation and overall economic performance. **Foreign Direct Investment (FDI):** FDI shows remarkable growth, particularly in 2023, rising from 28.7 trillion UZS in 2020 to 84.3 trillion UZS in 2023. While the increase from 2020 to 2022 was moderate, the sharp rise in 2023 indicates a surge of foreign investor confidence, possibly driven by improved investment policies, incentives, and public-private partnership initiatives.

If we analyze the number of enterprises with foreign investment, it can be observed that there has been a rising trend in the number of such enterprises during 2020–2024 (Figure 1).

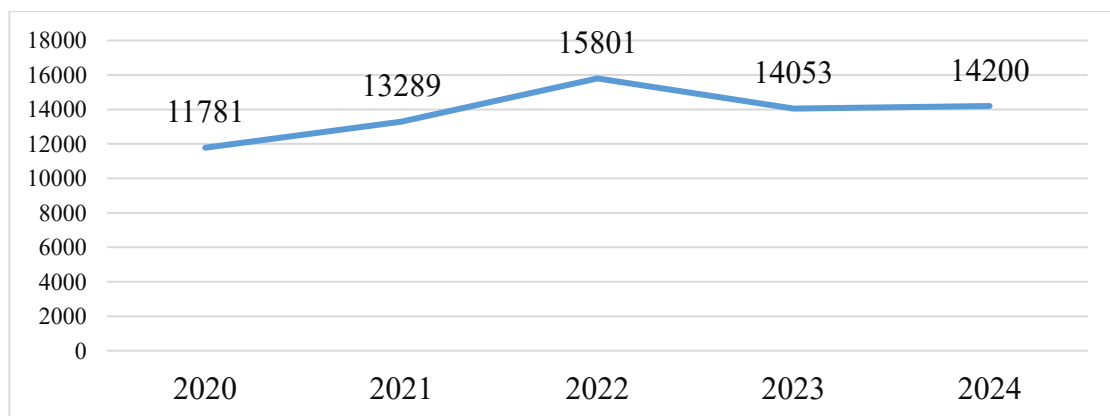


Figure 1. Number of Enterprises with Foreign Investment

As of 2024, a total of 14,200 enterprises with foreign investment are operating in Uzbekistan. According to data from the State Statistics Committee, Tashkent city leads in terms of the number of such enterprises, with 8,446 registered. Following Tashkent city, Tashkent region and Samarkand region rank second and third, with 1,554 and 562 enterprises, respectively.

The distribution of foreign-invested enterprises across other regions is as follows: Fergana region – 491; Surkhandarya region – 356; Bukhara region – 338; Andijan region – 312; Namangan region – 232; Navoi region – 211; Sirdarya region – 203; Jizzakh region – 179; Kashkadarya region – 168; and the Republic of Karakalpakstan – data available.

Regarding the volume of foreign direct investment, a total of USD 11 billion was attracted during the 2020–2024 period. The data indicates a clear upward trend in both the number of enterprises and the total volume of foreign investments over these years.

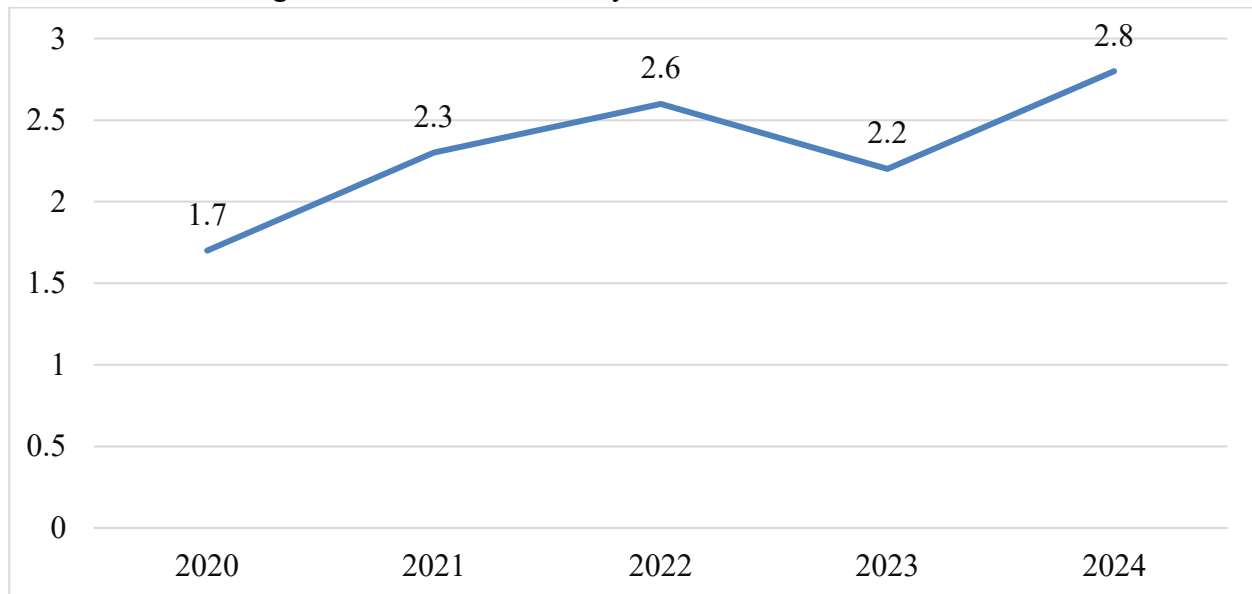


Figure 2. Volume of Foreign Direct Investment, USD billion

Analyzing the growth rates over the past five years, foreign direct investment reached 104.6% in 2020, slightly declined to 97.8% in 2021, and then increased to 115.2% in 2022. Up to the present period, the upward trend has continued, reaching 174.5%.

The effective financing of fixed capital investments plays a crucial role in ensuring sustainable economic growth, modernizing production facilities, and introducing innovative technologies. In many countries, the efficiency of investment processes largely determines the competitiveness of the national economy. Despite notable improvements in Uzbekistan’s investment environment in recent years, several challenges remain, including limited private sector participation, insufficient diversification of funding sources, and underutilization of innovative financial instruments.

Strengthening the financing mechanisms for fixed capital investments requires a comprehensive and systematic approach. Enhancing public-private partnerships, expanding the role of commercial banks and investment funds, and introducing leasing and project-based financing are among the most effective strategies. Additionally, international experience from countries such as the United States, China, and Singapore demonstrates that combining state support with market-oriented financial instruments can significantly increase investment efficiency.

This study aims to analyze existing challenges in financing fixed capital investments in Uzbekistan and to propose practical solutions to optimize investment processes. The implementation of these measures

will contribute to increased capital inflows, sustainable industrial development, and the overall resilience of the national economy.

Foreign investment plays a significant role in the development and modernization of fixed capital in any economy. Attracting foreign capital not only provides additional financial resources but also introduces advanced technologies, management practices, and international experience. In Uzbekistan, foreign direct investment (FDI) has become a key driver of economic growth, particularly in sectors such as manufacturing, infrastructure, and energy.

Despite recent improvements in the investment climate, challenges remain in optimizing the financing of fixed capital. These include limited participation of the private sector, insufficient diversification of investment sources, and a lack of innovative financial instruments tailored to foreign investors. Strengthening the financing of fixed capital through foreign investment requires a comprehensive strategy that combines state support with market-oriented mechanisms.

This strategy may include expanding public-private partnerships, promoting investment funds and leasing mechanisms, offering tax incentives, and creating transparent regulatory frameworks to encourage foreign investors. By learning from international best practices, such as those in the United States, China, and Singapore, Uzbekistan can enhance its attractiveness as an investment destination, increase the efficiency of capital allocation, and accelerate industrial modernization. Integrating foreign investment into the financing of fixed capital is essential for sustainable economic growth, innovation, and the competitiveness of the national economy.

Conclusion

Improving the financing of fixed capital investments is essential for promoting sustainable economic growth, modernizing production infrastructure, and enhancing the competitiveness of Uzbekistan's economy. The current investment landscape shows progress, including increased state support and the development of public-private partnerships, yet challenges such as limited private sector participation, underutilized financial instruments, and insufficient diversification of funding sources remain.

Addressing these challenges requires a comprehensive strategy. Strengthening public-private partnerships can mobilize additional resources and reduce investment risks, while expanding the role of commercial banks, investment funds, and leasing mechanisms enhances access to long-term financing. Introducing innovative financial instruments, such as venture capital, project-based financing, and green bonds, can further improve investment efficiency and attract both domestic and foreign capital.

Additionally, adopting lessons from international best practices such as transparent investment policies, favorable regulatory frameworks, and market-based financing mechanisms can significantly improve the effectiveness of capital allocation. Implementing these measures systematically will increase investment inflows, accelerate industrial modernization, and support the overall resilience of the economy.

In conclusion, a well-structured and diversified approach to financing fixed capital investments is crucial for ensuring long-term economic stability, fostering innovation, and strengthening Uzbekistan's position in the global economic landscape.

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