



THE IMPACT OF DIGITAL TRANSFORMATION ON ATTRACTING FOREIGN DIRECT INVESTMENT TO REGIONAL ECONOMIES

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ABSTRACT	KEYWORDS
This article examines the impact of digital transformation on attracting foreign investment to the regions. The importance of digital technologies in expanding access to information for investors, increasing the transparency of investment processes and reducing administrative and transaction costs is highlighted. The impact of digital investment platforms, e-government services, investment maps and unified information systems on the investment potential of the territories and investment decision-making process for foreign investors is also discussed. The results of the study show that the integration of digital transformation with regional investment policy is an important condition for expanding the flow of foreign capital and increasing the investment attractiveness of the regions.	Digital transformation, foreign investment, territory, investment attractiveness, digital economy, investment platform, digital infrastructure, e-public services, investment potential, investment policy.

Introduction

Digital transformation radically changes the content and mechanisms of implementation of economic processes, creating new forms of investment activity. In particular, the use of digital technologies in attracting foreign investment to the regions makes it possible to simplify the processes of obtaining information for investors, assessing the investment potential of the territory, selecting projects and interacting with government agencies. In this regard, digitalization is manifested not only as a technological factor that increases the efficiency of economic activity, but also as an important institutional and economic factor that forms the investment attractiveness of the regions.

The effectiveness of attracting foreign investment to the regions is largely determined by the quality of the information and service environment created for the investor. Digital investment platforms, electronic public services, a unified database of investment projects, interactive investment maps and online monitoring systems reduce the time and transaction costs of the investor. As a result, the processes of searching for investment projects, comparing the capabilities of the territories and making decisions will be accelerated.

Digital transformation will increase the openness and transparency of the regions for foreign investors, as well as reduce investment risks. At the same time, it is important to provide information on the region's infrastructure supply, labor resources, production potential, tax and financial incentives, export

opportunities and existing investment areas in digital format. Therefore, the integration of digitalization with the policy of attracting foreign investment is an important condition for increasing the investment competitiveness of the regions. This article highlights the impact of digital transformation on attracting foreign investment to the regions, its main directions and the importance of increasing the transparency, speed and efficiency of investment processes.

Analysis and results

The table data show the consistent development of digital transformation processes in Uzbekistan in 2018–2025. During this period, there was a significant increase in the number of subscribers connected to the Internet, the volume of information and communication services, as well as investments in the sector. This process means that the scale of the use of digital technologies in the country's economy is expanding, the importance of information and communication infrastructure in the investment environment is increasing.

First of all, the number of subscribers connected to the Internet increased from 13,321,7 thousand in 2018 to 36,195,1 thousand in 2025. That is, over seven years, this figure has increased almost 2.7 times. The consistent increase in the number of subscribers every year indicates that the opportunities for the population and business entities to use digital services have expanded. Especially in the period after 2020, the increase in demand for digital services has made the development of internet infrastructure an even more urgent task.

There was also a high growth in the volume of information and communication services. If in 2018 this figure amounted to 11,874.7 billion soums, by 2025 it reached 79,485.5 billion soums. As a result, the volume of these services increased almost 6.7 times. Especially in 2022–2025, the growth was much higher, rising from 27,938.0 billion soums in 2022 to 79,485.5 billion soums in 2025. This indicates that the economic activity of the digital economy in the service sector has significantly increased.

Table 1 Dynamics of key indicators of digital transformation in Uzbekistan, 2018–2025¹

year	The number of Internet subscribers, thousand	The volume of information and communication services, billion soums	Investments in fixed capital in the information and communication sector, billion soums	Growth rate of information and communication services, %
2018	13 321,7	11 874,7	1 558,1	115,9
2019	16 386,2	12 507,4	2 485,9	107,6
2020	19 981,0	15 861,1	8 842,1	123,1
2021	22 987,2	20 353,8	8 697,7	126,7
2022	26 723,6	27 938,0	6 578,4	127,0
2023	30 061,0	39 734,2	8 351,9	122,4
2024	32 138,7	56 865,2	13 714,9	125,4
2025	36 195,1	79 485,5	9 064,5	122,7

Investments in fixed capital in the information and communications sector also increased sharply during the period. Investments in 2025, which amounted to 1,558.1 billion soums in 2018, amounted to 9,064.5 billion soums. The largest investment volume was recorded in 2024 and reached 13,714.9

¹ <https://stat.uz/uz/> prepared by the author based on the data.

billion soums. In 2025, although the volume of investments decreased compared to the previous year, it remained at a level almost 5.8 times higher than in 2018. This indicates that there is a long-term investment attention to the creation and modernization of digital infrastructure.

The growth rate of information and communication services has also been positively formed over the entire period. This figure reached one of the highest levels with 126.7 percent in 2021 and 127.0 percent in 2022, up from 115.9 percent in 2018. The growth rate in 2023–2025 was also maintained in the range of 122.4–125.4 percent. Hence, the overall growth trend in the digital services market has been stable despite the short-term fluctuations.

In general, the indicators in the table show that the infrastructural and economic base necessary for digital transformation in Uzbekistan is being consistently formed. While the increase in the number of Internet subscribers has expanded the digital coverage, the rapid growth in the volume of information and communication services demonstrates the practical results of the digital economy. At the same time, a steady increase in investments in digital infrastructure, especially in the regions, improving the quality and coverage of the Internet, strengthening the convenience of digital services and electronic public services for foreign investors will serve to further increase the investment attractiveness of the regions.

This table systematizes the key indicators that can be used to assess the impact of digital transformation on attracting foreign investment to the regions. In today's environment, investors are focusing not only on production costs or natural resources when choosing a territory, but also on internet infrastructure, digital services, e-governance, skilled personnel, and technological capabilities. Therefore, the level of digital development is becoming one of the important factors shaping the investment attractiveness of the region.

The first four indicators in the table — the number of subscribers connected to the Internet, the volume of information and communication services, investments in the sector, and the growth rate of services — represent the overall digital infrastructure of the region. The wide coverage of the Internet increases the opportunities for investors to use information exchange, remote management and electronic services. A high volume of information and communication services indicates the formation of a digital economy in the region and a developed market for related services. The increase in these indicators is considered as a positive signal for foreign investors.

The number of foreign investments in the field of information and communications and the number of enterprises with foreign investment represents the direct investment result of digital transformation. If these indicators are high, it indicates that the territory is not only consuming digital technologies, but also actively attracting foreign capital to this sector. On the other hand, the increase in the number of enterprises with the participation of foreign investors reflects the relative convenience of the business environment, market opportunities and institutional conditions in the region.

The level of use of e-government services describes the state of digitalization of management processes in the region. The expansion of e-services simplifies the paperwork, obtaining permits, taxation and other administrative processes. As a result, the time and transaction costs of investors are reduced, and the convenience of doing business in the area increases.

Table 2 Indicators for assessing the impact of digital transformation on attracting foreign investment to the regions²

No	Direction	Assessment indicator	unit of measurement	Impact on foreign investment
1	Digital infrastructure	Number of Internet-connected subscribers	thousand	↑ Positive
2	Telecommunications	The volume of information and communication services	billion UZS	↑ Positive
3	Digital investments	Investments in the information and communication sector	billion UZS	↑ Positive
4	Digital economy	The growth rate of information and communication services	%	↑ Positive
5	Foreign capital	Foreign investment in the field of information and communications	billion UZS	↑ Positive
6	E-Services	Degree of use of electronic government services	%	↑ Positive
7	Digital Business Environment	Number of enterprises operating in the sphere of ICT	Units	↑ Positive
8	Digital Qualification	Number of people employed in ICT sector	thousand people	↑ Positive
9	Technological attractiveness	Investments in software and IT services	billion UZS	↑ Positive
10	Investment result	Number of enterprises participating in foreign investment	Units	↑ Positive

The number of enterprises and employees operating in the ICT sector characterizes the digital business environment and human capital of the region. The increase in active enterprises in the digital sphere contributes to the formation of an innovative ecosystem. And the shortage of qualified ICT specialists increases the ability of foreign companies to deploy modern technological projects in the region. Human capital is an important factor, especially for investments based on IT services, software and digital business models.

Investments in software and IT services are of particular importance in assessing technological attractiveness. The increase in investments in this direction indicates that the necessary conditions for innovative activity are being formed in the region. Therefore, the high level of this indicator is assessed as a positive result from the point of view of attracting foreign investment.

In general, the 10 indicators in the table provide a comprehensive assessment of the relationship between digital transformation and foreign investment. In most of the indicators, the high value is defined as a positive direction. By standardizing and weighting them across regions, an integral index of digital investment attractiveness can be formed. Such an approach serves to determine which regions have an advantage in terms of digital infrastructure, human capital or e-governance, as well as to identify the most promising areas for foreign investors.

² <https://stat.uz/uz/> prepared by the author based on the data.

Conclusion

The results of the study show that digital transformation is becoming one of the most important factors in attracting foreign investment to the regions. Digital technologies will expand the opportunities for investors to quickly provide the necessary information, compare the investment opportunities of the regions, use public services remotely, and monitor investment projects. As a result, the time and transaction costs of investors will be reduced, and the investment attractiveness of the territory will increase.

In our opinion, when attracting foreign investment to the regions, digital transformation should not be limited to the introduction of electronic services. It is important to collect information on investment projects, existing infrastructure, land areas, labor resources, financial incentives and export opportunities on a single digital platform. At the same time, the development of digital investment maps and electronic communication mechanisms with investors will further increase the openness and competitiveness of the regions for foreign capital.

Based on the results of the assessment of the impact of digital transformation on attracting foreign investment to the regions, the following proposals and recommendations can be put forward:

Accelerated development of digital infrastructure in the regions is needed. In particular, it is necessary to expand high-speed Internet networks, increase fiber optic communication and mobile Internet coverage in remote and low-investment areas;

It is desirable to develop digital investment platforms at the regional level. Providing information on vacant land areas, investment projects, existing infrastructure, tax incentives and conditions created for investors on these platforms in a single system will speed up the decision-making process of investors; Electronic services for foreign investors should be expanded. Registration of investment projects, obtaining permits, land allocation, connection to infrastructure and other administrative processes should be transferred to a fully electronic form as much as possible;

Encouraging foreign investment in ICT and IT should be one of the priorities of the regional investment policy. For this, tax, infrastructure and financial incentives for IT companies can be differentiated based on the level of development of the regions;

It is necessary to strengthen the training of personnel with digital qualifications. The expansion of practical programs in programming, data analysis, artificial intelligence, cybersecurity and digital management in higher education institutions, technical schools and IT centers will meet the need of foreign investors for qualified labor resources;

It is proposed to introduce a digital investment rating of the regions. At the same time, the regions can be systematically evaluated on the basis of indicators such as internet coverage, volume of ICT services, investment in digital infrastructure, use of e-services, number of IT enterprises and professionals;

it is necessary to expand the mechanisms for attracting private and foreign capital to digital infrastructure. The establishment of data centers, telecommunication networks, cloud services and other digital infrastructure facilities on the basis of public-private partnerships will expand investment opportunities;

regional investment projects should be promoted through digital marketing. It is advisable to present the investment opportunities of each territory for foreign investors online in several languages, with clear economic indicators and ready-made project proposals;

It is necessary to combine digital transformation and investment results in a single monitoring system. At the same time, the relationship between the development of digital infrastructure and the volume of foreign investment, new enterprises and created jobs is systematically analyzed;

Most importantly, digital infrastructure should be considered as a separate component of the investment strategy of regions. Because for a modern investor, fast communication, e-government services, qualified IT personnel and a digital business environment are not just infrastructure, but one of the factors that determine the competitiveness of an investment project.

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