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PROVIDED FINANCIAL RECOVERY AND INCREASED ATTRACTIVENESS OF TERRITORIAL INVESTMENT

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ABSTRACT

This article examines the theoretical, methodological, and practical aspects of ensuring regional financial recovery and enhancing territorial investment attractiveness in the context of sustainable economic development. Particular attention is paid to identifying the key financial, institutional, and economic factors influencing regional investment activity, financial stability, and the efficient allocation of investment resources. The study explores the relationship between regional financial performance, investment climate, infrastructure development, and the mobilization of domestic and foreign capital. The research employs comparative analysis, statistical assessment, systematic approaches, and economic evaluation methods to investigate the mechanisms of strengthening regional financial resilience and stimulating investment inflows. Special emphasis is placed on improving regional investment policies, developing public-private partnership mechanisms, diversifying financial resources, and introducing innovative financial instruments to support sustainable territorial development.

KEYWORDS

Regional financial stability, financial recovery, territorial investment attractiveness, regional economic development, foreign direct investment, investment climate, investment policy, financial resilience, public-private partnership, investment potential, financial mechanisms, regional competitiveness, sustainable economic growth, investment risks, infrastructure development.

Introduction

In the context of increasing globalization, economic uncertainty, and intensifying competition for investment resources, ensuring regional financial stability and enhancing territorial investment attractiveness have become essential priorities of sustainable economic development. The financial resilience of regions significantly influences their capacity to attract domestic and foreign investments, modernize production infrastructure, stimulate entrepreneurial activity, and create favorable conditions for long-term economic growth. Consequently, improving financial recovery mechanisms and strengthening the investment potential of territories represent important directions of modern regional economic policy.

Regional financial recovery encompasses a comprehensive system of economic, institutional, and financial measures aimed at restoring financial stability, improving the efficiency of budgetary resources, strengthening the financial capacity of local governments, and creating favorable conditions for investment activities. In this regard, the development of effective financial management

mechanisms, diversification of regional revenue sources, and mobilization of private capital are particularly important for ensuring balanced territorial development.

International experience demonstrates that the investment attractiveness of territories depends on a combination of economic, institutional, infrastructural, and financial factors. These include macroeconomic stability, the availability of financial resources, infrastructure quality, the transparency of investment regulations, the effectiveness of public administration, and the accessibility of financial services. The interaction of these factors determines the competitiveness of regions in attracting investment capital and implementing strategically important development projects.

According to the United Nations Conference on Trade and Development (UNCTAD), global foreign direct investment reached approximately USD 1.6 trillion in 2025, increasing by 6 percent compared with the previous year. However, investment flows remained unevenly distributed across economies and sectors, highlighting the importance of improving investment conditions and strengthening regional competitiveness.

In Uzbekistan, significant institutional and economic reforms have been implemented to liberalize investment activities, strengthen private-sector participation, and improve the investment environment. Particular attention has been directed toward attracting foreign direct investment, modernizing infrastructure, developing industrial zones, and increasing the economic potential of individual territories.

Nevertheless, differences in regional economic development, infrastructure availability, financial resource distribution, and institutional capacity continue to influence the investment attractiveness of individual regions. The OECD's 2025 assessment of Uzbekistan's investment environment identifies regulatory uncertainty, insufficient coordination among institutions, and the concentration of foreign investment in particular sectors and regions as important challenges requiring further policy improvements.

Under these circumstances, improving regional financial recovery mechanisms requires the implementation of comprehensive financial and investment policies. Such policies should focus on strengthening regional budget sustainability, expanding access to investment financing, stimulating public-private partnerships, supporting innovative entrepreneurship, and developing mechanisms for efficient investment resource allocation.

Furthermore, the introduction of modern financial instruments, including infrastructure bonds, investment funds, development financing mechanisms, and blended finance arrangements, may contribute to diversifying regional investment sources and reducing dependence on centralized budgetary financing. Strengthening cooperation between government institutions, commercial banks, private investors, and international financial organizations is also essential for improving the effectiveness of regional investment policies.

The main objective of this research is to examine the theoretical and methodological foundations of regional financial recovery and territorial investment attractiveness, identify the principal factors influencing regional investment performance, and develop practical recommendations for improving financial mechanisms that support sustainable territorial economic development.

The scientific significance of the research lies in developing an integrated approach to assessing regional financial resilience and investment attractiveness by combining financial stability indicators, institutional conditions, infrastructure development, and investment risk factors. The practical significance consists of formulating recommendations aimed at strengthening regional financial

capacity, stimulating investment activity, attracting foreign capital, and reducing socioeconomic disparities among territories.

LITERATURE REVIEW

The theoretical and methodological foundations of regional financial recovery and investment attractiveness have been extensively investigated by international researchers representing institutional economics, regional development theory, financial economics, and international investment studies. Existing scientific literature emphasizes the importance of financial institutions, investment conditions, infrastructure development, and governance quality in determining regional economic performance.

One of the fundamental theoretical approaches to understanding investment attractiveness was developed by John H. Dunning (1988) through the eclectic paradigm of international production. According to this approach, foreign investment decisions are influenced by ownership-specific, location-specific, and internalization advantages. From the perspective of territorial investment attractiveness, location advantages include infrastructure availability, market accessibility, production costs, institutional stability, and investment incentives. Dunning's framework provides an important theoretical basis for evaluating how regional characteristics influence the geographical distribution of foreign direct investment.

Douglass C. North (1990) emphasized the significance of institutions in shaping economic performance and investment decisions. His institutional theory explains that formal regulations, informal constraints, and enforcement mechanisms influence transaction costs and economic incentives. In the context of regional investment development, effective institutions contribute to reducing uncertainty, protecting property rights, improving contractual relations, and establishing a predictable investment environment. Therefore, strengthening regional institutional capacity can be considered an essential condition for improving financial resilience and attracting long-term investment resources.

The relationship between financial development and economic growth was investigated by Robert G. King and Ross Levine (1993) in their research entitled Finance and Growth: Schumpeter Might Be Right. The authors identified a strong association between financial development, capital accumulation, economic growth, and improvements in resource allocation efficiency. Their findings indicate that financial systems play an important role in mobilizing savings, allocating investment resources, and supporting productive economic activities. These conclusions provide a theoretical foundation for strengthening regional banking systems, expanding financial intermediation, and improving access to investment financing.

Another important contribution to regional investment theory was made by Paul Krugman (1991), who developed the new economic geography approach. His research demonstrates how increasing returns to scale, transportation costs, and market concentration influence the spatial distribution of economic activity. According to this perspective, economically developed regions may attract additional investment because of established production networks, infrastructure advantages, and market accessibility. Consequently, regional investment policies should consider the spatial concentration of economic activities and introduce targeted measures to improve the attractiveness of less-developed territories.

Andrés Rodríguez-Pose (2013) investigated the importance of institutional factors in regional economic development. His research emphasizes that institutional conditions significantly influence the effectiveness of regional development strategies. However, the author also argues that institutional policies should reflect specific territorial characteristics rather than rely exclusively on standardized approaches. This perspective is particularly relevant for developing differentiated regional investment policies based on local economic potential, institutional effectiveness, and available financial resources.

The importance of infrastructure investment in territorial development has also been examined by Riccardo Crescenzi and Andrés Rodríguez-Pose (2012). Their research on infrastructure and regional growth in the European Union highlights the relationship between transport infrastructure and regional economic performance. This contribution provides a basis for examining how infrastructure accessibility, connectivity, and complementary development conditions may influence investment decisions and regional competitiveness.

From the perspective of international institutional research, the Organisation for Economic Co-operation and Development (OECD, 2025) examined the investment environment of Uzbekistan and proposed recommendations for improving investment legislation, institutional coordination, investment promotion, and sustainable development policies. The OECD's analysis emphasizes the importance of regulatory transparency, private-sector development, infrastructure modernization, and investment diversification. These recommendations are relevant for strengthening territorial financial stability and improving investment attractiveness in emerging economies.

Furthermore, the United Nations Conference on Trade and Development (UNCTAD, 2026) highlights the increasingly uneven distribution of foreign direct investment and emphasizes that the development benefits of investment depend on its contribution to productive capacity, employment, skills, and technological development. These findings indicate that improving territorial investment attractiveness should not be limited to increasing investment volumes but should also involve improving investment quality and its contribution to long-term regional development.

A comparative examination of the existing literature reveals that regional financial recovery and territorial investment attractiveness are closely interconnected economic processes. Financial stability contributes to creating favorable conditions for investment activities, while productive investment inflows can strengthen regional economic potential, expand the tax base, increase employment, and improve the financial capacity of territories.

Nevertheless, the reviewed studies primarily examine individual aspects of financial development, institutional quality, foreign direct investment, or regional competitiveness. The integration of these dimensions into a unified framework for evaluating financial recovery and territorial investment attractiveness remains an important direction for further research, particularly in the context of emerging economies undergoing structural and institutional reforms.

Accordingly, this study proposes a comprehensive analytical approach that combines regional financial stability, institutional effectiveness, investment infrastructure, financial resource accessibility, and investment risk assessment within a single methodological framework.

The proposed approach is intended to support the development of differentiated regional investment policies, improve the efficiency of financial resource allocation, strengthen cooperation between public and private investors, and establish favorable conditions for sustainable territorial economic growth.

RESULTS AND DISCUSSION

Ensuring regional financial recovery and enhancing territorial investment attractiveness are among the most important conditions for achieving sustainable economic growth, strengthening regional competitiveness, and reducing socioeconomic disparities. The effectiveness of regional financial policies largely depends on the capacity of territories to mobilize financial resources, attract domestic and foreign investments, develop infrastructure, and establish favorable institutional conditions for entrepreneurial activity.

The analysis of regional investment development demonstrates that financial stability and investment attractiveness are interconnected economic categories. On the one hand, stable regional financial systems contribute to reducing investment risks, increasing investor confidence, and improving the availability of financial resources. On the other hand, investment inflows stimulate production, expand employment opportunities, increase business activity, and strengthen the revenue-generating potential of regional economies.

In Uzbekistan, investment activity has expanded significantly as a result of economic liberalization, institutional reforms, and measures aimed at improving the business environment. However, considerable differences remain between territories in terms of investment volumes, infrastructure development, industrial specialization, and access to financing.

According to the revised statistical data of the National Statistics Committee of the Republic of Uzbekistan, investments in fixed assets increased from 507.5 trillion soums in 2024 to 603.6 trillion soums in 2025. This represents a nominal increase of approximately 18.9 percent. The expansion of investment activity indicates a growing volume of resources directed toward capital formation, modernization, and infrastructure development. Nevertheless, nominal investment growth should be distinguished from real growth and does not independently demonstrate improvements in investment efficiency.

Table 1 Dynamics of Fixed Capital Investment in Selected Regions of Uzbekistan, 2024–2025

Regions	2024, trillion UZS	2025, trillion UZS	Nominal change, %
Tashkent city	91.64	116.39	+27.0
Tashkent region	73.33	74.29	+1.3
Namangan region	54.23	62.73	+15.7
Bukhara region	51.66	44.86	−13.2
Navoi region	33.55	43.80	+30.5
Samarkand region	28.95	36.05	+24.5
Republic of Karakalpakstan	20.57	26.15	+27.2
Syrdarya region	11.41	17.46	+53.1

The data presented in Table 1 demonstrate substantial differences in investment activity across the selected territories. Tashkent city maintained the largest investment volume, reaching approximately 116.39 trillion soums in 2025. Tashkent region also remained among the leading investment destinations, with investments amounting to 74.29 trillion soums.

Together, Tashkent city and Tashkent region accounted for approximately 31.6 percent of total national fixed capital investment in 2025. This concentration illustrates the importance of established economic centers in attracting investment resources.

At the same time, several territories demonstrated relatively rapid nominal investment growth. In particular, investment volumes increased by approximately 53.1 percent in Syrdarya region, 30.5 percent in Navoi region, and 27.2 percent in the Republic of Karakalpakstan.

These trends suggest that investment activity is expanding beyond the largest economic centers. However, high percentage growth from a relatively low initial investment base does not necessarily indicate a higher level of regional competitiveness or financial sustainability.

The decline in nominal investment volumes recorded in Bukhara region further demonstrates the uneven dynamics of territorial investment development. Such differences may reflect changes in the implementation schedules of large investment projects, sectoral specialization, financing conditions, and the availability of investment opportunities. Establishing their precise causes would require additional project-level and sectoral analysis.

One of the important findings of the research is that territorial investment attractiveness should be evaluated not only through absolute investment volumes but also through financial sustainability, investment efficiency, infrastructure accessibility, institutional effectiveness, and the quality of investment projects.

Another important aspect of regional investment development concerns the structure of investment financing.

According to the National Statistics Committee's annual data, investments financed through non-centralized sources amounted to approximately 540.7 trillion soums in 2025, representing about 89.6 percent of the national total. Centralized financing sources accounted for approximately 62.9 trillion soums, or 10.4 percent.

Furthermore, fixed capital investments financed through foreign investments and loans reached approximately 400.8 trillion soums. These funds represented around 66.4 percent of total fixed capital investment. This statistical category includes foreign investment and loan financing and should not be interpreted as foreign direct investment alone.

The observed financing structure indicates the significant importance of non-centralized financial resources in supporting capital investment. It also highlights the need to strengthen private-sector participation, expand access to long-term financing, and improve mechanisms for mobilizing external capital.

From the perspective of regional financial recovery, dependence on individual sources of investment financing may create financial vulnerabilities. Consequently, the diversification of investment resources should become an important component of territorial financial policy.

The research identifies five principal directions for improving regional financial recovery and investment attractiveness.

First, strengthening regional financial sustainability. Regional financial development should be supported through improvements in local budget management, diversification of revenue sources, efficient public expenditure allocation, and the expansion of local economic activity. Particular attention should be paid to improving the predictability of financial resources and strengthening the financial capacity of local government institutions.

Second, improving the investment environment. Increasing territorial investment attractiveness requires transparent investment regulations, protection of investors' legitimate rights, simplification of administrative procedures, and improvement of institutional coordination. Establishing transparent mechanisms for land allocation, infrastructure access, and investment project approval can contribute to reducing transaction costs and investment uncertainty.

Third, developing infrastructure financing mechanisms. Insufficient transport, energy, water supply, and digital infrastructure can constrain investment activities, particularly in economically less-developed territories. Therefore, infrastructure modernization should be considered an essential instrument for increasing territorial competitiveness.

Fourth, expanding public-private partnerships. Public-private partnership mechanisms provide opportunities to mobilize private capital for infrastructure development, improve risk allocation, and reduce immediate pressure on public budgets. However, such arrangements should be implemented through transparent procurement procedures, comprehensive feasibility studies, and effective management of fiscal risks and contingent liabilities.

Fifth, introducing differentiated territorial investment policies. Investment incentives and financial support measures should reflect regional economic potential, infrastructure conditions, industrial specialization, and investment risks. Regions with relatively limited investment activity may require targeted infrastructure improvements and institutional support rather than uniform financial incentives.

These directions are consistent with the OECD's recommendations regarding Uzbekistan's investment environment, which emphasize regulatory predictability, institutional coordination, private-sector development, and improvements in investment policy implementation.

An important methodological result of the research is the proposed integrated approach to evaluating regional investment attractiveness.

The proposed methodological framework provides an opportunity to evaluate investment attractiveness using a combination of quantitative and qualitative indicators rather than relying exclusively on absolute investment volumes.

In practical terms, the implementation of this approach may help regional authorities identify weaknesses in investment conditions, establish development priorities, and develop targeted financial and institutional measures.

The findings also suggest that improving regional financial recovery mechanisms requires stronger coordination between public financial management and territorial investment strategies.

In particular, the effectiveness of regional investment policy should be assessed by considering not only the volume of attracted investment but also its contribution to employment creation, productivity growth, export diversification, technological modernization, and the expansion of regional fiscal capacity.

Accordingly, investment projects should be evaluated using financial and economic indicators such as net present value, internal rate of return, expected fiscal effects, employment generation, and potential spillover effects on regional economic development.

The research therefore supports a shift from investment-volume-oriented regional policies toward an integrated model based on financial sustainability, investment quality, economic efficiency, and long-term territorial competitiveness.

It should be emphasized that the empirical analysis presented in this section is descriptive. The proposed integrated index has not yet been calculated for all regions, and the relationship between

financial recovery and investment attractiveness has not been subjected to causal econometric testing. Further research should therefore include a comprehensive regional panel dataset and statistical validation of the proposed framework.

CONCLUSION

The findings of the research demonstrate that ensuring regional financial recovery and enhancing territorial investment attractiveness are closely interconnected processes that contribute to sustainable economic development, regional competitiveness, and the efficient utilization of financial resources.

The analysis of investment activities in Uzbekistan reveals an overall expansion of fixed capital investment accompanied by substantial differences in investment volumes and growth rates across territories. These disparities highlight the importance of developing differentiated regional investment policies that consider financial capacity, infrastructure availability, economic specialization, institutional conditions, and investment risks.

The study establishes that strengthening territorial financial sustainability requires a comprehensive approach involving improvements in regional budget management, diversification of investment financing sources, development of financial infrastructure, and greater participation of private investors.

Furthermore, the analysis indicates that increasing investment attractiveness cannot be achieved exclusively through tax incentives or direct financial support. Sustainable improvements require transparent investment regulations, reliable infrastructure, effective institutional coordination, and the implementation of economically viable investment projects.

The proposed integrated territorial investment attractiveness index provides a methodological framework for evaluating regions based on financial sustainability, infrastructure development, institutional effectiveness, economic potential, and investment risks. Its application may support comparative regional assessments, improve investment policy targeting, and facilitate more efficient allocation of financial resources.

From a practical perspective, the research recommends expanding public-private partnership mechanisms, strengthening regional investment promotion institutions, improving access to long-term financing, and introducing differentiated support instruments for territories with relatively limited investment activity.

Special attention should be given to attracting investments into industries capable of generating higher added value, creating sustainable employment opportunities, supporting technological modernization, and expanding regional export potential.

At the same time, the effectiveness of investment policies should be evaluated through measurable economic outcomes rather than investment volumes alone. This requires systematic monitoring of productivity improvements, employment creation, fiscal sustainability, infrastructure performance, and the developmental impact of investment projects.

In conclusion, the improvement of regional financial recovery mechanisms and territorial investment attractiveness requires a coordinated system of financial, institutional, infrastructural, and investment policy measures. The proposed methodological approaches and practical recommendations can contribute to strengthening regional financial resilience, encouraging productive investment, and supporting balanced territorial development in Uzbekistan.

Further empirical research is necessary to validate the proposed index, determine the relative importance of individual investment attractiveness factors, and assess the long-term effects of regional financial policies on investment performance and sustainable economic growth.

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