

MODERN ACTIVITIES AND TRENDS IN ATTRACTING FOREIGN INVESTMENT TO OUR COUNTRY

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Abstract. This article examines the principles of implementing measures aimed at attracting foreign investment into the economy and highlights a number of positive developments achieved in our country based on these principles. These include further liberalization of the domestic foreign exchange market, ensuring the convertibility of the national currency for current international transactions, and adopting policies targeted at liberalizing foreign economic activity. The laws regulating these activities are also explained. Attracting investment is one of the most important issues for every nation, especially for developing countries. It is not without reason that in recent years this matter has been personally overseen by the head of state in Uzbekistan, and that special working groups have been established in each region to advance this area. In addition, the article presents and analyzes statistical indicators reflecting the volume of major investment projects currently being implemented in our country.

Keywords. Investment projects, customs duty, international transactions, investment, investor, capital, rate of return, financial risks, export, **and** import.

INTRODUCTION.

Factors such as political and macroeconomic stability in the country, strong guarantees for the protection of foreign investors' rights, and a wide system of incentives are creating highly

favorable conditions for entrepreneurs. In addition, the relatively low cost of raw materials, production inputs, energy resources, and a highly skilled labor force-compared to neighboring countries-makes Uzbekistan increasingly attractive for foreign investment. A proactive policy aimed at accelerating the inflow of foreign investment is being pursued in our country. Ensuring the convertibility of the national currency for current transactions and the strategy for implementing economic reforms form a solid foundation for further liberalizing the economy and supporting projects involving foreign capital in Uzbekistan. Foreign citizens who are investors-particularly founders who contribute investments to establish enterprises producing goods or providing services within the territory of the Republic of Uzbekistan-are granted a residence permit in Uzbekistan under simplified procedures, in accordance with the conditions specified in the resolutions of the President of the Republic of Uzbekistan.

The procedure for issuing an “investment visa” and a residence permit in the Republic of Uzbekistan to foreign investors is determined by the Cabinet of Ministers of the Republic of Uzbekistan.

Foreign investors who hold a residence permit in the Republic of Uzbekistan, as well as their family members (spouse, parents, and children), are entitled to the following rights:

1. Employment within the territory of the Republic of Uzbekistan
2. Access to medical and educational services on an equal basis with citizens of the Republic of Uzbekistan
3. The right to pursue secondary and higher education in educational institutions of the Republic of Uzbekistan

Investors and enterprises with foreign investment have the right to freely conclude employment contracts with any foreign citizens and stateless persons who permanently reside outside the territory of the Republic of Uzbekistan for the purpose of carrying out investment activities. Such individuals, throughout the duration of their employment contract, are entitled to enter and stay in the Republic of Uzbekistan on the basis of multiple-entry visas issued accordingly.

Issues related to the remuneration of foreign employees, granting them leave, and providing pension benefits must be regulated within the employment contracts concluded with each employee. The wages and other legally obtained income of these employees may be transferred by them to other countries without any restrictions after the payment of taxes and fees established by law.

An investor or an enterprise with foreign investment may transfer pension contributions for a foreign employee to the relevant funds of the country where that employee permanently resides. Investors are also entitled to insurance protection from any insurance organization that is legally operating within the territory of the Republic of Uzbekistan. Political and other types of investment risk insurance may additionally be provided by international organizations, foreign agencies, and other insurance companies.

In recent years, the legal and institutional framework for financing investment projects by business entities in our country has been improved, given the crucial role that financing investment projects plays in economic development and in the advancement of priority sectors. In particular, commercial banks are now actively involved in implementing investment programs through the introduction of syndicated lending in accordance with international banking standards, including by attracting foreign bank capital.

Naturally, such measures require comprehensive research into the characteristics and practical aspects of financing investment projects by business entities. Overall, the financing of investment projects by economic entities is considered an integral part of the investment process and is based on the formation of investment resources. In turn, it is directly linked to the objectives pursued through investment. Indeed, the desire to achieve a specific goal motivates an investor to accumulate capital and subsequently mobilize it toward that purpose. As a goal is directed toward achieving a certain outcome, the outcome itself generates new objectives, thereby forming a sequence that reflects the investment process. This sequence of movement takes place through investment activity. Therefore, understanding the essence of investment activity and investment financing holds significant importance.

The importance of successfully implementing investment activity in the development of the national economy is explained by several factors. First, it enables the establishment of import-substituting production and the attraction of foreign investments into priority sectors of the economy, ultimately helping to improve the population's standard of living. Second, investments facilitate the introduction of modern equipment and technologies into production and support the development of export-oriented manufacturing. Third, they contribute to providing employment for the growing population by fostering the development of entrepreneurship and accelerating agricultural production. Fourth, investments support the creation of enterprises that process natural resources. Fifth, they help renew outdated production capacities and modernize the material and technical base of enterprises.

It should also be noted that the primary goal of implementing an investment project is to generate profit (income) or, at the very least, preserve the value of capital.

REVIEW OF RELATED LITERATURE.

The theoretical, legal, organizational, and economic aspects of attracting and improving foreign investment have been studied by foreign scholars such as R. I. Zimenkov and Raidh Ben Jelili. The theoretical foundations of attracting foreign investment, prospective directions for its organization and development, as well as practical issues related to its implementation, have been researched by Uzbek economists including A. V. Vakhobov, Sh. Kh. Khajibakiyev, N. G. Mo'minov, B. Mamatov, D. Khuzhamkulov, O. Nurbekov, E. I. Nasirov, Sh. Sh. Asamkhodjayeva, N. R. Qo'ziyeva, and Q. B. Khoshimov.

RESEARCH METHODOLOGY.

In the methodology of this article, methods such as analysis and synthesis, scientific abstraction, generalization, and comparative theoretical interpretation were employed. The scientific basis of the research consists of articles published in academic journals by local and foreign scholars, as well as their studies conducted at the international level. In addition, real economic indicators based on the analysis of statistical data were taken into account, which increases the reliability of the research findings and ensures their practical applicability.

ANALYSIS AND RESULTS.

The assessments and evaluations provided by international and foreign experts regarding the consistent continuation of an active investment policy in our country indicate that our government is implementing economic reforms effectively and on the right track.

The main difference between project financing and other types of financing lies in the fact that the source for loan repayment is the revenue (profit) generated from the implementation of the project. In contrast, for commercial or investment loans, the source of repayment may also be the debtor's overall income from general business activities. In project financing, however, the additional revenue generated as a result of implementing the project serves as the primary source for loan repayment.

The choice of an optimal financing method depends on many factors related to the company's operations as well as the specific characteristics of its financing needs. The main factors considered when deciding on a financing method include the enterprise's risk–return profile, the current stage of its business process, the scale of the business, its management structure, and the level of its financial expertise.

Table 1.

Sources of financing for investments directed to fixed capital, in million US dollars.

Indicators	2021 year	2022 year	2023 year	2024 year	Growth in 2024 compared to 2021	
					(+,-)	%
Investments in fixed capital	210195,4	244963,3	266654,4	289876,8	79681,4	137,9
including						
Centralized investments:	49876,2	54675,1	57123,2	61987,1	12110,9	124,3
Budget funds	14897,1	18765,1	19321,1	19843,1	4946,0	133,2
State target funds	x	x	X	x	X	X
Fund for the Development of Children's Sports	x	x	X	x	X	X
Fund for the Development of Physical Culture and Sports	26,1	54,2	61,1	67,9	41,8	260,2
Fund for the Development of Water Supply and Sewerage Systems	1234,1	1967,1	2156,1	2314,8	1080,7	187,6
Reconstruction and Development Fund	6734,1	8287,1	8402,2	8675,9	1941,8	128,8
Loans guaranteed by the Republic of Uzbekistan	25437,1	32456,1	36761,3	39876,9	14331,9	156,8
Decentralized investments:	160319,2	190288,2	209531,2	227889,7	67570,5	142,1
Enterprise funds	43231,0	45342,3	46767,6	47878,6	46476,0	110,8
Household funds	14567,2	18092,1	19786,2	21123,8	6556,6	145,0
Direct foreign investments and loans	52432,1	59875,3	64985,1	69217,2	16785,1	132,0

Commercial bank loans and other borrowed funds	22134,0	27890,0	31879,0	34234,0	12100,0	154,7
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If we analyze the sources of financing for investments directed to fixed capital in the Republic of Uzbekistan, the total volume of investments in fixed capital amounted to 210,195.4 million USD in 2021, while by 2024 this figure reached 289,876.8 million USD. This indicates that the volume of investments directed to fixed capital increased by 1.37 times in 2024 compared to 2021.

Within the structure of investments attracted to the sectors of the Uzbek economy, the share of direct foreign investment and loans amounted to 74,566.1 million USD in 2021, whereas by 2024 it increased to 103,451.2 million USD. This shows that their volume grew by 1.39 times in 2024 compared to 2021.

In investment activity, project financing is a type of crediting investment projects in which the creditor partially or fully assumes the risks associated with the implementation of the project.

In international practice, venture business carries a high level of risk from the earliest stages. If the final results of the financed processes do not produce positive outcomes upon completion, the invested capital may be lost. This type of business is considered more suitable for financing scientific research and technological innovation projects in the field of science.

Table 2.

Major investment projects implemented in our Republic.

	Time large investment projects were commissioned	Number of large investment projects commissioned	Volume of large investment projects commissioned, USD
.	2016 year	158 projects	7,4 billion
.	2017 year	164 projects	5,0 billion
.	2018 year	161 projects	2,4 billion
.	2019 year	353 projects	9,8 billion
.	2020 year	179 projects	20,5 billion

.	2021 year	43 projects	13,9 billion
.	2022 year	236 projects	28,9 billion
.	2023 year	262 projects	38,8 billion
.	2024 year	287 projects	49,5 billion.

According to the data presented in the table above, the growth trend of major investment projects implemented in our Republic has not developed uniformly. In particular, the number of large investment projects launched in 2016 amounted to 158, with their total value reaching 7.4 billion USD. In 2017, 161 major investment projects were commissioned with a total value of 2.4 billion USD. Thus, in 2015, three more large projects were launched compared to 2018.

Furthermore, in 2019, a total of 353 projects were launched, amounting to 9.8 billion USD. In 2020, 179 major projects were implemented with a total value of 20.5 billion USD; in 2021, 43 major projects amounted to 13.9 billion USD; in 2022, 236 major projects reached 28.9 billion USD; in 2023, 262 major projects amounted to 38.8 billion USD; and in 2024, 287 major projects reached a total value of 49.5 billion USD.

A proposal aimed at increasing the inflow of funds for investment projects in the 4th and 5th category districts and cities of the country—by applying a 1% turnover tax rate for newly established business entities in economically “challenging” regions—was reflected in the Presidential Decree of the Republic of Uzbekistan No. PF-60 dated January 28, 2022, “On the Development Strategy of New Uzbekistan for 2022–2026.”

As a result of the practical implementation of this policy, in 2022 the number of newly registered enterprises in these regions increased by 1.27 times compared to the previous year; the number of new investment projects increased by 1.34 times; the volume of assimilated investments increased by 1.42 times; and 79.7 billion soums were saved by entrepreneurs due to tax incentives.

Currently, a major project is being implemented in the Nurata district of Navoi region to cultivate lavender and rosehip on plantations covering a total of 500 hectares, with subsequent processing to extract essential oils. The total value of this project is estimated at 2.5 million USD. The project, initiated by “FHH Garden Flower” LLC, is being implemented in two stages.

The first stage includes improving soil fertility, installing irrigation systems, and planting lavender and wild rose.

At present, 3,000 hectares of land have been allocated for a free economic zone. This year, it is planned to implement 98 projects on 598 hectares of land. These include establishing energy-efficient greenhouses, manufacturing eco-friendly boxes for product storage and packaging, creating more than 4,300 new jobs, and exporting 64 million USD worth of products to neighboring countries. Notably, the Turkish-invested company “Bukhoro Varnet” plans to build a glass-covered greenhouse on 115 hectares. The main advantage of this technology is that the glass transmits up to 97% of sunlight and is durable for long-term use. Each hectare of greenhouse space can yield 300 to 560 tons of tomatoes, creating over 1,000 jobs. Currently, construction is underway on 30 hectares, and equipment is being imported from Turkey.

According to available sources, the total value of investment projects implemented in 2021–2022 amounted to 972.7 million USD, including 261.3 million USD in bank loans, 115.5 million USD financed from own funds, and 595.9 million USD in foreign investment. A total of 168 projects are currently being implemented, with a total value of 286.1 million USD, covering 575.7 hectares, and creating 6,085 new jobs. The number of prospective projects is 62, with a total estimated value of 89.1 million USD.

CONCLUSION.

In ordinary bank lending operations, primary importance is given to assessing the borrower's creditworthiness, studying their financial and economic condition, and evaluating the assets used as collateral. In project financing, however, the main focus is placed on project analysis. The object of project analysis is the project documentation, that is, the feasibility study of the investment project, which aims to determine the project's financial and economic efficiency, identify project-related expenses, define sources of financing, and assess potential risks.

The organization and implementation of investment activities should, first, ensure the dynamics of investments through the efficient use of limited resources, and second, be based on reducing risks and costs by effectively utilizing the composition of financial resources and available tax incentives. The effective functioning of this principle requires the state to establish a favorable system for carrying out and developing investment activities.

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