

# The Role of Investment Attractiveness in Ensuring the Financial Stability of Regions

Sunatullayeva Shakhnoza Khurshid kizi

Senior Lecturer PhD, Tashkent State University of Economics

Phone: +998903199729

E-mail: [sunatullaevashahnoza@gmail.com](mailto:sunatullaevashahnoza@gmail.com)



## Abstract

The investment climate plays a significant role in solving the problems of ensuring sustainable development of countries, regions, municipalities, and organizations. Its most important component is investment attractiveness, which is influenced by many factors, geographical location, availability of natural, material and technical, human resources, production structure, production and social infrastructure, etc. The economic category "investment attractiveness" is constantly in the field of view of researchers, as it determines innovative activity, economic growth, standard of living and quality of life of the population.

**Keywords:** Investments, investment attractiveness, factors, region, investment climate.

## Introduction

In the context of the formation of an open market economy in Uzbekistan, the issue of the efficiency of using all types of investments at the macro, meso and micro levels has become a pressing theoretical and practical task. Globalization erases the boundaries between national economies and individual economic entities.

Investments are a key factor in economic development. By investing in various types of assets, regions, industries and enterprises increase and change the structure of fixed capital, diversify manufactured products, improve their quality, develop and implement the most ambitious projects and programs.

The volumes and directions of investment are determined not only by the objectives of economic growth, but also by ensuring sustainable development of society, which provides for a balance of economic, social and environmental components. The priorities of investment activities are determined by state economic policy aimed at creating a favorable investment climate, stimulating the accelerated development of growth points in the economy, creating institutional conditions for activating the investment process [5].

The investment climate is formed on the basis of two components - investment attractiveness and investment activity. Limited investment resources at all stages of economic development intensify the competition for them between countries, regions, municipalities, organizations, and encourages the search for more effective investment methods. Investment attractiveness determines the vectors of investment movement. On the one hand, it is factorial, and on the other hand, it is resultative, i.e. it creates prerequisites for increasing investment activity. The relevance

of solving the problem of increasing investment attractiveness for the Republic of Uzbekistan and its regions is due to structural changes in the economy, the formation of a modern innovative infrastructure, and the implementation of effective investment projects. Throughout 2000, the main efforts of the state were focused on minimally maintaining the viability of industries and spheres of the national economy, smoothing out the trend of decline in production and investment, reducing high inflation, overcoming acute political, environmental and social problems in society. The main focus was on combating the consequences, not the causes of crisis phenomena, which, as always, are deeper and are associated with structural and reproductive imbalances. At present, the contours of solving the identified problems are shifting to the area of sustainable development, the most important factor of which is a favorable investment climate.

The investment climate is a complex, capacious and comprehensive concept that can be considered from the standpoint of a multi-level approach. The complexity is expressed in the fact that the investment climate is formed under the influence of a combination of political, economic, social factors, etc., creating favorable conditions for investment activities in the country or region. Multi-level means the possibility of differentiating the investment climate according to territorial or sectoral principles. Along with the investment climate of the country, it is possible to distinguish the investment climate of interregional zones (for example, federal districts or economic regions), regions, municipalities, industries and sectors of the economy. To characterize the investment climate of the region of the Republic of Uzbekistan, economists A. Shakhnazarov, I. Grishina, I. Roizman proposed a scheme for its formation [4], in which the main components of the investment climate of the region are investment activity and investment attractiveness, including investment potential and investment risk (Fig. 1).

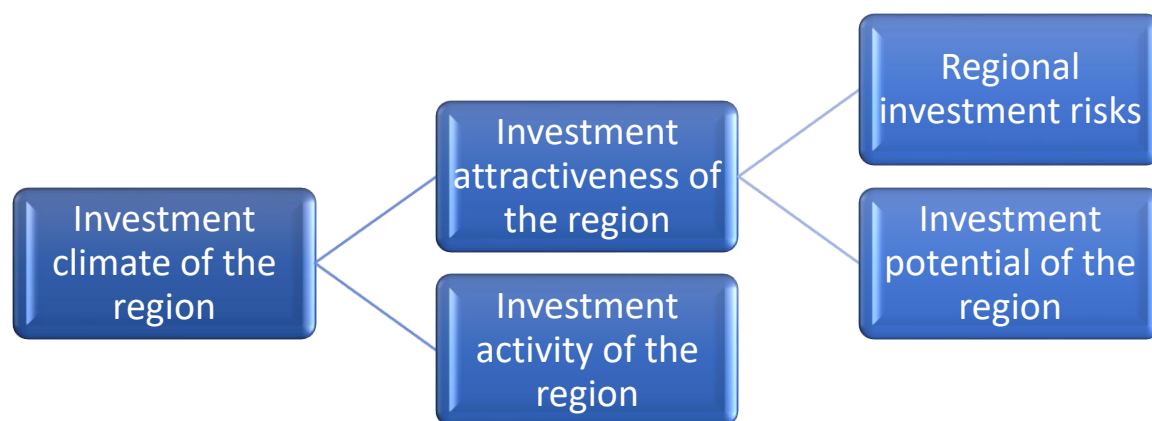


Fig. 1. Components of the investment climate of the region

Investment attractiveness is an integral characteristic of individual enterprises, industries, regions, and the country as a whole from the standpoint of development prospects, investment profitability, and the level of investment risks [5]. In the monograph "Investment Attractiveness of a Region," A.N. Asaul and I.N. Pasyada characterize investment attractiveness as a combination of investment potential and investment risks [2].

According to the Decree of the President of the Republic of Uzbekistan DP-6264 "On measures to establish the Agency for Strategic Development of the Republic of Uzbekistan" [1] dated July 19, 2021, the Agency is entrusted with a number of strategic tasks, including the formation and ongoing maintenance of the rating of investment attractiveness of economic sectors and regions.

When forming the rating, it is necessary to take into account international experience and practice, regularly conduct a survey among business representatives. In order to comprehensively assess the investment climate of the regions and create healthy competition among regions in attracting investments, the Agency has developed a methodology for assessing the "National Rating of the Investment Climate of the Regions of the Republic of Uzbekistan". The main goal is to assess the effectiveness of government agencies in solving problems in the field of improving the investment climate and creating favorable conditions for business.

Based on the results of 2021, a national rating of the investment climate of the regions of the Republic of Uzbekistan was formed, the results of which were reported to the Head of State on August 8, 2022.

During the presentation, the task was set to form a national rating of the investment environment by cities and districts. At the moment, the following work has been completed:

- ✓ In order to conduct a survey among business entities, tenders were announced and an agreement was concluded with the winning consulting company Al Mar Consulting LLC (RF).
- ✓ In order to conduct the survey, a list of business entities corresponding to the OKED and category was received from ministries and departments, and the distribution of the necessary quotas among cities and districts is carried out. At the same time, this collection included business entities that used certain government services over the past 12 months.
- ✓ At the same time, from June 26 of this year, it is planned to conduct surveys in the Samarkand and Jizzakh regions, and then in the Fergana, Andijan and Namangan regions.
- ✓ Interviews will be conducted with more than 18,000 entrepreneurs across the country.
- ✓ In July of this year, ministries and departments will need to collect a large volume of statistical data presented in the methodology.
- ✓ Work on forming the rating is scheduled for September
- ✓ Based on the results of the rating, relevant presentations and reports will be prepared.
- ✓ The rating is planned to be announced in September of this year [3].

Successful use of the rating will help:

- to determine the level of the investment environment in the regions of the republic and the problems associated with it;
- to identify government agencies, including local authorities, that need optimization and / or reforms;
- to assess the investment potential and the effectiveness of the implementation of operational and strategic tasks aimed at improving the investment environment in the regions;
- to promote the attraction of foreign investment and improve efficiency;
- to increase the inflow of investment into the regions;
- to identify the best practices in making management decisions that allow achieving the highest results in the development of the investment environment;
- to develop proposals for improving the investment environment in the regions of the republic;
- to create motivation systems for government and management bodies in the sphere.

In economic literature, investment climate and investment attractiveness are often used as synonyms. Investment attractiveness is determined by the simultaneous impact of two groups of factors, one of which forms the investment potential, and the second - investment risks. Investment activity is a function of investment attractiveness. Consequently, investment attractiveness has a

factorial character, and investment activity - a resultant one. The Republic of Uzbekistan is characterized by significant differentiation in the level of economic development and investment attractiveness. This is due to the extremely large variety of types of regional economies and their competitive advantages. Given the specialization of the region, a number of important investment projects have been implemented in the manufacturing sectors of the economy in recent years. The most priority areas of investment activity in the manufacturing sectors are the production of cable and wire products, semiconductor devices and power conversion equipment, the development of carriage building, lighting equipment, cement production, food processing industries, and the development of new types of construction products and materials. They ensure maximum efficiency of invested funds, modernization of the economy, growth of production, solution of social and environmental problems.

Investment attractiveness of the region for both domestic and foreign investors depends on the provision of the region with qualified workers and specialists. In this regard, special attention should be paid to the development of the system of training and retraining of personnel, which will require investment in the field of education and creation of new jobs [3]. Important conditions for attracting investments are the regulatory framework that creates a favorable investment climate, as well as the widespread use of modern information and communication technologies. Also relevant for the regions of the Republic of Uzbekistan is the development and implementation of the RY-program for the formation of a favorable investment image of the republic, including the formation of a sustainable and attractive brand of the republic; transmission of the formed image to potential investors; annual holding of major international events on its territory, participation in foreign exhibitions. The conducted study allows us to draw a conclusion about the close relationship between investment attractiveness and sustainability of regional development.

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