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**WAYS OF THE INVESTMENT ENVIRONMENT EFFECT IN FINANCING  
INVESTMENT ACTIVITIES DEVELOPMENT**

**Makhmudov Samariddin Bahriddinovich\***

*Assistant at "Corporate Governance" Department, Tashkent State University of Economics,  
Republic of Uzbekistan.*

**Abstract**

This article discusses the features of improving the investment climate in the country in the current conditions of investment financing, as well as the fact that the socio-economic development of the country depends on the volume and composition of investments in various sectors of the national economy. It is planned to develop discussions and conclusions about special attention to the formation of an attractive environment for attracting investment funds in the region.

**Key words:** Investment, Foreign investment, Direct investment, Investment climate, Investment attractiveness, Gross domestic product, Investor, Investment activity and Investment financing.

**1. Introduction**

The policy of attracting foreign investment for the development of priority sectors of the economy in the Republic of Uzbekistan - the proper use of available funds, time and opportunities, effective management of wealth based on the created conditions and thus boosting the country's economy, encouraging its integration into the world economic system. aimed at active involvement and rational use of them.

The socio-economic development of the country depends on the growth of incomes, improvement of living conditions, mainly on the volume and composition of investment funds attracted to various sectors and industries of the national economy. Therefore, it is inevitable that each state will pay special attention to creating an attractive environment for attracting investment in its territory.

It is important to study the investment attractiveness of Uzbekistan, which aims to bring the country's socio-economic development

of developing countries in the near future, to develop proposals and recommendations to increase investment on the basis of domestic capital and foreign investment.

**2. Literature Review**

It was noted that the President of the Republic of Uzbekistan Sh. Mirziyoyev has developed long-term development concepts, the first step in this direction is the adoption of state development programs of the Republic of Uzbekistan and the establishment of a fund to finance these programs. At the same time, it was recognized that one of our important tasks in the development of the economy is to mobilize the funds accumulated in the hands of the population in the form of investments, to strengthen the entrepreneurial spirit of the people (Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis, People's Speech December 22, 2017).

As for the views of economists on the analysis of sources that provide financial support for investment activities, the theoretical aspects of market mechanisms of financing investment activities have been studied by a number of economists. For example, prof. According to Mirkin, a realistic, promising form of investment financing is to increase the placement of

*\*Corresponding author: Dr. Makhmudov Samariddin Bahriddinovich  
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companies' funds in the secondary market in equity, but the source level of investment financing is very low (Mirkin Ya, 2002).

Well-known economist U. Sharp also pays special attention to the mechanism of financing investment activities through the stock market. In his view, a prudent investment strategy that has a direct link between the profitability and risk of securities is the basis for financing investment activities. Financial intermediaries (commercial banks, savings and credit unions, credit unions, insurance companies, mutual aid funds, pension funds) indirectly provide corporations with the opportunity to raise additional funds from the stock market (Sharp Hydr, 2001).

Economist NG Karimov conducted research on "Introduction of market mechanisms for investment financing" aimed at improving the mechanism of financing investment activities through the securities market and commercial banks, as well as the analysis of investment attractiveness of securities (Karimov, 2007).

In our opinion, the opinion of J. Mirkin on the mechanism of financing investment activities through the stock market has a special scientific and practical significance. This is due to the fact that in many CIS countries, a high level of risk in investing in corporate stocks and bonds and low investor confidence are the main reasons that hinder the development of the stock market. According to U.Sharp's opinion on the role of financial intermediaries in the financing of investment activities, they are one of the active subjects of financing investment activities.

In some literatures, the total type of financial, property and intellectual investment in various industries, investment projects for the purpose of developing production, entrepreneurship, profit or other end results is called investment (Melkumov Ya, 2003). According to these authors, investments are resources spent on expanding or renewing production, that is, increasing real capital. But, it should also be noted that investments are not only resources spent on raising real capital, these resources are also spent on tangible, intangible

assets, the purchase of securities. Investment is also understood as the long-term use of economic resources to generate future profits (Kuzieva, 2006). That is, the mobilization of financial resources for the purpose of capitalization of capital and the creation of funds until the end goal is called investment (Ivanov, 2002).

Uzbek scientists: "Investment is the use of financial, material and intellectual resources at the disposal of individuals and legal entities, regardless of the form of ownership, or any state-owned business in order to obtain economic and social benefits" (Aladyin, 2002). In our opinion, the definitions given by the above authors to the concept of "Investment" are in line with current conditions and the requirements of a market economy.

It should be noted that at the current stage of development of the world community, no country can achieve socio-economic development without investment. Countries that have not been able to attract investment resources to the national economy in a timely manner and are experiencing cash shortages are likely to lag behind in socio-economic terms. In this case, one of the best solutions to the problem is to attract capital resources from developed countries with surplus funds to the economies of developing countries. The following tasks can be solved with the help of investments. First, the investment will allow to build new enterprises, create new jobs, which will be in demand in the domestic market, producing products that will replace imported goods.

### **3. Research Methodology**

This article examines the scientific works of economists from Uzbekistan and abroad on the analysis of sources that provide financial support for the implementation of investments and the attractiveness of the investment environment. Comparative analysis of the literature and methods of substantiation of the hypothesis were used as research methodology.



#### 4. Analysis and Results

It should be noted that at the current stage of development of the world community, no country can achieve socio-economic development without investment. Countries that have not been able to attract investment resources to the national economy in a timely manner and are experiencing cash shortages are likely to lag behind in socio-economic terms. In this case, one of the best solutions to the problem is to attract capital resources from developed countries with surplus funds to the economies of developing countries. The following tasks can be solved with the help of investments.

First, the investment will allow to build new enterprises, create new jobs, which will be in demand in the domestic market, producing products that will replace imported goods.

Second, it expands the production capacity of enterprises operating in the country and increases their private capital.

Third, there will be technological renewal in the national economy, new equipment and modern equipment will be installed at enterprises. As a result, national products that can compete in the world market will be produced.

Fourth, national producers will be able to implement promising projects at the expense of loans.

Fifth, the integration of the national economy into the world economy will take place.

Investors' investment in the national economy largely depends not only on the rating of enterprises or the results of economic activity, but also on the geopolitical location of the country and the domestic policy pursued by the state. Investors choose the most stable countries to invest in. That is why all countries of the world try to do their best to reduce investment risk as much as possible. In our country, a number of measures are being taken to increase the attractiveness of the investment climate in the national economy.

Uzbekistan has the following conditions for attracting foreign investors:

- Political stability.
- Formation of the legal framework for the protection of private property and competition.
- Construction of infrastructure to support the investment process.
- Favorable geographical location of the country.
- High potential for the development of the agro-industrial sector and the richness of the country's mineral resources.
- Availability of highly qualified labor resources.
- Sufficient width of the domestic market for trade.

In January - December 2019, 189.9 trillion soums will be allocated from the total sources of funding for the development of economic and social spheres in the Republic of Uzbekistan. UZS (USD 21.5 bln.) or 133.9 % compared to 2018". World experience shows that the country that has pursued an active investment policy has achieved sustainable growth of its economy.

There is a fierce struggle between countries in the world to attract foreign capital. In terms of the volume of foreign investment, its quality and the use of favorable conditions, in developed countries from year to year there are different types of innovative instruments that serve to ensure the attractiveness of the investment environment.

The amount of savings formed in the domestic economy of the country depends on the volume of gross domestic product and the level of consumption. The practice of foreign countries, especially the newly industrialized countries, Hong Kong, Singapore, South Korea, Taiwan, shows that the share of investments in the country's economy in the period of economic growth above 10 % was 35 – 40 % of GDP. most of which came from domestic investment.



In short, during this period, all citizens, from ordinary citizens to national economic entities, found it necessary to work "tightly tied", that is, to reduce consumption and increase the share of savings.

The main factor in achieving high growth rates of investments in fixed assets in the country was the high growth rates of foreign direct investment and loans. They increased by 3.9 times compared to 2018 and accounted for 31.0 % of total investments in fixed assets, of which 19.6 % (or 3.6 times increase) of foreign direct investment. However, as our country has set strategic goals for socio-economic development, it will be necessary to increase investment in the national economy to achieve them. This can be done, firstly, by increasing the volume of domestic investment, and secondly, by attracting foreign investment into the national economy. As noted above, the amount of savings formed in the domestic economy is limited by GDP and consumption.

In order to increase the volume of investments in the national economy on the basis of domestic investments, the following work should be done:

- Improving the existing mechanism for converting funds into investments
- Attracting by banks the monetary resources available to the population, whether in national or foreign currency, and providing them to businesses as loans
- Attracting funds collected by the population to the investment process through the Tashkent Stock Exchange, etc.

It is obvious that more intensive attraction of domestic investment in the national economy requires a step towards improving the mechanism of directing available capital resources in the country to the economy.

An alternative to domestic investment in increasing the volume of investment in the national economy is only foreign investment and credit. Therefore, today it is necessary to study and review all available resources and reserves related to attracting foreign investment to the

national economy, to work on improving the mechanism for directing foreign capital to national enterprises.

Decree of the President of the Republic of Uzbekistan dated April 11, 2005 "On additional measures to encourage foreign direct investment" to further improve the investment climate in the country, privatization, modernization of production, technical re-equipment and reconstruction. to create new jobs in existing regions, to provide reliable legal protection and guarantees for foreign investors.

According to him, enterprises of economic sectors that attract foreign direct investment are exempt from income tax, property tax, social infrastructure development and landscaping tax, single tax for micro and small enterprises, as well as mandatory contributions to the Republican Road Fund. The volume of investments is released when:

- From 300 thousand US dollars to 3 million US dollars - for a period of 3 years
- From more than 3 million US dollars to 10 million US dollars - for a period of 5 years
- When more than 10 million US dollars - for a period of 7 years.

In January - December 2019, the ratio of disbursed foreign investment and loans to GDP amounted to 16.9 %, an increase over 2018 by 9.5 percentage points. The total value of disbursed foreign investments and loans in dollar equivalent amounted to 9803.5 mln. USD, of which 4205.4 mln. The U.S. dollar accounted for 42.9 % of total foreign direct investment, or total foreign investment and loans. The volume of disbursed foreign direct investment in January-December 2019 amounted to 37171.3 billion soums. soums or 3.6 times more than in 2018 (Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis on the most important priorities for 2011).

Foreign direct investment (FDI) today is coming in not only in the form of simple remittances, but also in the form of financial and intangible assets, including technology, management skills, marketing skills. The main



importance of FTIs for the recipient country is reflected in the following areas. TTXI as an additional source of capital accumulation accelerates economic growth and has a positive impact on the structural restructuring of the economy. FDI inflows encourage other forms of capital imports, i.e., the inflow of portfolio investments and bank loans. The flow of TTXI will encourage the entry of new machinery and technology into the country and increase the demand for highly skilled workers by creating new jobs.

Modernization of the economy, deepening of reforms, creation of new

production facilities and fixed assets, updating of existing equipment and technologies in sectors and industries of the economy, their support depends on the correct and effective implementation of investment processes. In this regard, special attention is paid to the implementation of an active investment policy aimed at modernization of production, technical and technological renewal, implementation of projects in production, agriculture, transport and communications and social infrastructure. To this end, emphasis is placed on the development and effective use of centralized, decentralized funds, foreign investments and loans.

**Table – 1: Fixed capital investments by sources of financing [9] (As of 2019 year)**

Indicators	Volume of investments, bln. sum	Growth speed, % yes	In relation to the total %
Fixed capital investments including:	<b>189924,3</b>	<b>133,9</b>	<b>100,0</b>
Centralized investments	<b>50686,8</b>	<b>120,0</b>	<b>26,6</b>
Budget funds	14518,0	117,7	7,6
Water supply and sewerage	1759,2	198,9	0,9
Systems development fund	31,3	9,6	0,02
Fund for the Development of Physical Culture and Sports	6511,9	71,2	3,4
Fund for Reconstruction and Development	27866,4	142,4	14,7
Foreign loans guaranteed by the Republic of Uzbekistan	<b>139237,5</b>	<b>139,8</b>	<b>73,4</b>
Decentralized investments	39292,3	90,5	20,7
Enterprise funds	16302,5	103,0	8,6
Population funds	58786,7	3,9	31,0
Foreign direct investment and loans of them	37171,3	3,6	19,6
Foreign direct investment	24856,0	98,2	13,1

According to the table, 50686.8 billion soums were allocated from centralized funding sources. UZS (26.6 % of total investments and 3.1 % less than last year) or 120.0 % of fixed capital investments in 2018, respectively, from decentralized sources of financing amounted to 139237.5 bln. soums or 139.8 % (73.4 %) of investments in fixed assets. The share of foreign loans guaranteed by the Republic of Uzbekistan increased by 0.9 % compared to 2018. The implementation of the following major investment projects in 2019 has led to high growth rates of foreign loans guaranteed by the State of the Republic of Uzbekistan:

- Volume mastered on the project of construction of Shurtan gas-chemical complex for the production of synthetic

liquid fuel on the basis of purified methane.

- The volume mastered on the project of expansion of the second steam and gas unit with a capacity of 450 MW at Navoi Thermal Power Plant.
- The volume mastered on the project of construction of a new thermal power plant with a total capacity of 900 MW, consisting of two steam and gas units with a capacity of 450 MW in Turakurgan district of Namangan region.
- The volume mastered on the project of construction of a complex for the production of polyvinyl chloride (PVC), caustic soda and methanol at JSC "Navoyazot".



- The volume mastered on the project of electrification of Pop-Namangan-Andijan railway sections.
- Development of the Angren-Pop electrified railway line with electrification of the Pop-Kokand-Andijan section.
- The volume mastered on the project of modernization of JSC "Shargunkomir" to increase the design capacity of coal production to 900 thousand tons per year.
- The volume mastered on the project of reconstruction of the sewerage system and treatment facilities in the cities of Bukhara and Samarkand.
- The volume of the project on improvement of water supply system in settlements and district centers of Boyovut, Havos, Mirzaabad, Sardoba and Akaltin districts of Syrdarya region.
- The volume of the project on improvement of drinking water supply system in Alat and Karakul districts of Bukhara region.

The volume of investments in the oil and gas and energy sectors of the economy at the expense of the Fund for Reconstruction and Development amounted to 6511.9 billion soums. soums (736.7 million US dollars in dollar equivalent) and 71.2 % compared to 2018. Major investment projects funded by the Reconstruction and Development Fund include:

- Construction of two steam-gas plants with a capacity of 230-280 MW at the Takhiatash thermal power plant.
- Construction works on expansion of 2 steam and gas units with a capacity of 450 MW at Navoi Thermal Power Plant.
- Construction of a new thermal power plant with a total capacity of 900 MW, consisting of two steam and gas units with a capacity of 450 MW in Turakurgan district of Namangan region.
- Construction of gold and mining deposits (TMZ-5) at Auminso-Amantoy deposits (Phases I-II).
- Development of "Yoshlik 1" field in Tashkent region (Almalyk city).
- Development of Muruntau quarry (Phase V).

Sources of financing of decentralized investments were mainly direct and other foreign investments and loans (31.0 % of total investments), own funds of enterprises (20.7 %).

A large-scale social investment project of state importance for the construction of housing in urban and rural areas on the basis of standard projects was implemented at the expense of loans and other borrowings from commercial banks.

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The following major investment projects have been implemented through direct and other foreign investments and loans:

- Preparation of the Kandym group of fields for production and construction of a gas processing plant.
- Preparation for production of Khauzak and Shadi fields, as well as expansion of Kuvachi lot fields.
- Organization of mining and hydrocarbon production on the basis of the Gissar investment block and the production sharing agreement in the Ustyurt region.
- Expansion of the mobile communication system in Tashkent by the foreign company OJSC "Unitel".
- Organization of production in a cotton textile cluster in Kashkadarya and Syrdarya regions by a foreign company JSC "Indorama Agro".

The share of state budget funds in total fixed capital investments amounted to 7.6 %, which is 1.1 % less than in 2018. The state budget funds were directed to the implementation of a targeted investment program aimed at developing the infrastructure of the Republic of Uzbekistan, supporting the social sphere and improving living standards.

## 5. Conclusions and Recommendations

In conclusion, it should be noted that the development of investment in the economy is carried out through an active investment policy. Investment policy serves to achieve the strategic goals set as part of the state economic policy and to fulfill the short-term and long-term objectives of economic policy. In this regard, it represents a set of targeted measures aimed at developing investment activities in the country by creating favorable economic conditions for economic



entities in order to increase production efficiency, boost the economy and solve social problems. Its main goal is to further develop investment activities aimed at developing the national economy and increase the efficiency of society's production.

It is possible to determine the extent to which the development of sectors and regions of the economy, as well as the financing of investment projects implemented in them, depends on the sources and status of investment attraction.

Improving the development of the investment climate in the financing of investment activities is directly related to the effectiveness of reforms for the following purposes:

- Creation of necessary conditions for radical improvement of open economy, healthy competition, business and investment environment.
- Reduction of state participation in the economy, creation of new jobs through the rapid development of the private sector.
- Ensuring high economic growth through modernization and diversification of the economy, increasing labor productivity.
- The fight against the "hidden" economy, a sharp reduction in its size.
- Consistent continuation of the policy of currency liberalization, implementation of a stable monetary policy.
- It is expedient to train qualified personnel capable of carrying out strategic tasks for the development of the economy.

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