



Investment Policy Problems In Uzbekistan

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ABSTRACT

This article focuses on the investment policy of Uzbekistan. The functioning of the country's economic complex with investments is analyzed. Investments that ensure the continuity of reproduction, the development and implementation of production, innovation and social programs and projects that allow to increase production volumes, improve the efficiency of social production.

KEYWORDS

Investment, investment policy, development strategy, problems of investment policy, volume of investment development

INTRODUCTION

In each state, the existence of a developed investment policy allows for the interconnection of strategic, tactical and operational management over the economy. Investment is an integral part of the modern economy. In addition, the presence of a

developed investment policy makes it possible to determine the future functioning of different sectors of the economy. The question of determining the essence of the concept of "investment policy" is currently debatable.

There have always been discussions over investment policy. For example, A. N. Sterligova defines investment policy as a set of different approaches and solutions used for effective investment in any enterprise [1]. According to Yu.V.Bogatin and V.A.Shvandar, investment policy is the behavior of the administration in the area of allocating investment resources in order to achieve the maximum possible achievement of predetermined priorities [2]. And I.A.Blank defines the investment policy as part of the overall investment strategy of the enterprise, which consists in choosing and implementing the most profitable ways to ensure its investment activities [3]. According to N.I.Lakhmetkina, investment policy is a form of implementation of an enterprise's investment strategy in the context of the most important areas of investment activity at certain stages of its implementation [4]. In addition, there are such conclusions as the role of innovative development in the investment policy of the state [5], financial analysis of investment behavior [6] and national models of economic growth[7].

In our opinion, the investment policy of the state is a form of implementation of an investment strategy, focused on achieving long-term goals of investment activity in the context of its main directions at certain stages of its implementation, and determining the choice and ways of implementing the most rational ways of updating and expanding production, scientific and technical and financial potential.

THE MAIN FINDINGS AND RESULTS

The presence of a developed investment policy can significantly increase the efficiency of its

functioning, which is reflected in the implementation of long-term development goals, assessment of investment opportunities, a faster response to new investment opportunities, etc. However, in the process of developing and implementing investment policy, states face a number of problems. These are basically:

- Outdated technological base, which led to a significant lag of the domestic industry from Western companies for decades;
- Insufficient volume of financing of state investment and innovative processes;
- Shadow economy and corruption;
- The weakness of the banking system, which is unable to provide the real sector of the economy not only with long-term loans, but also with short-term loans in sufficient volume;
- Low level of management.

According to the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan in 2019, due to all sources of financing, the volume of investment development amounted to 220.7 trillion Uzbek soums, exceeding the approved annual forecast indicators by 2 times, including the volume of investments in fixed assets amounted to 189.9 trillion Uzbek soums, with a growth rate to the same indicator in 2018 - 1.3 times. The share of investments in fixed assets in the structure of GDP increased from 30% in 2018 to 36.2% in 2019 (the share of total investments in the structure of GDP at the end of 2019 was 42.1%). In the reporting period, about 2.8 thousand social, infrastructural and industrial facilities were commissioned: 145 large production facilities, 167 large regional projects, 2.5 thousand social and infrastructure facilities. A significant increase in investment

activity indicators was due to an increase in the inflow and development of foreign investments and loans in the amount of USD 13.3 billion, of which:

- Foreign direct investment - \$ 9.3 billion (including in fixed assets - \$ 6.6 billion);
- Funds of international financial institutions - \$ 4.0 billion (including in fixed assets - \$ 3.2 billion).

At the same time, the share of utilized foreign direct investment in the total investment increased to 37% (for comparison, in 2018 this figure was 10.5%) [8].

As we know, the investment policy of the state is understood as a set of targeted measures to create favorable conditions for all business entities in order to revive investment activity, raise the economy, increase production efficiency and solve social problems. Also, the main goal of investment policy is to create optimal conditions for enhancing investment potential. Today, against the investment policy, there is a problem with loans, which in Uzbekistan are with rather high interest rates. Also, the introduction in Uzbekistan of accounting reports is very different from foreign.

Therefore, the main directions of investment policy in Uzbekistan are measures to organize a favorable regime for the activities of domestic and foreign investors, increase profitability and minimize risks in the interests of stable economic and social development, and improve the living standards of the population.

Regional investment policy is understood as a system of measures taken at the regional level and contributing to the mobilization of

investment resources and determining the directions of their most effective and rational use in the interests of the population of the region and individual investors.

Another problem in investment policy is the level of dollarization of the economy. As of December 1, 2020, the amount of banks' assets is 350.4 trillion soums, of which 172.4 trillion Uzbek soums or 49.2% of the total amount in foreign currency (indicator of dollarization of the banking sector). At the beginning of last year, this figure was 47.3%. In addition, in December, the balance of loans in banks is 270.7 trillion Uzbek soums (+ 27.9% over 11 months), while the volume of deposits is 105.8 trillion Uzbek soums (+ 16.3%). The gap between the balance of loans and bank deposits continues to grow. If the ratio of loans to deposits at the beginning of 2020 was 232% (284% - banks with state shares, 99% - other banks), then in December - already 256% (banks with state shares - 321%, other banks - 101%) [9].

To ensure economic growth, without which it is impossible to solve pressing social problems and preserve scientific and technological potential, creating a favorable investment climate at the current stage is becoming the main task. Investors should be sure that the economic situation in the country will improve, as well as that this trend does not depend on the political environment [10].

The impact of investments on the development of the economy of any state can hardly be overestimated. To maintain the positive dynamics of economic development, radical modernization of production in accordance with the requirements of scientific and technological progress, an active state investment policy is needed. At the same time,

the issues of choosing the priority directions of the country's economic development, ways to stimulate the demand for investment and its satisfaction, mechanisms for implementing investment policy at various levels of government are still debatable. Such problems are especially acute in regions where sometimes diametrically opposite approaches to the formation and implementation of investment policy coexist.

CONCLUSION

The improvement of the investment climate in Uzbekistan is hampered by a number of unresolved problems, the main among which are the following.

1. Imperfection of legislative and administrative regulation of the economy. New legal forms, be they laws or regulations, often go into effect without due publicity. Therefore, even specialists often do not have the opportunity to timely receive information about changes in legislation. The planning of economic activities is also complicated by the fact that laws, as a rule, come into force from the moment they are published, therefore, business entities and executive authorities do not have time to restructure in accordance with the changed legal conditions. However, in many cases, legal norms are retroactive.
2. Congestion of the regulatory framework. Along with the constitution and federal laws, there is a huge number of subordinate normative acts - decrees, orders, instructions, letters, issued also at the regional and local levels. They often contradict each other. At the same time,

there is no clear mechanism regulating which particular normative act out of the many legal provisions existing on the same issue is applied in each specific case. Therefore, neither investors nor executive bodies can be sure of the correctness of their decision. Investment planning becomes increasingly difficult as the consequences of specific decisions and the associated costs become unpredictable.

3. Lack of consideration of the interests of investors. Many laws do not sufficiently take into account the economic interests of investors. Instead of comprehensive accounting, they support the interests of only individual economic groups. Expert advice is often ignored. In this regard, it would be advisable, within the framework of the legislative process, to listen to the opinion of all economic groups whose interests are affected by the draft laws, and on the basis of this discussion to make a decision.

No less important than the adoption of reliable legal provisions is the application in practice of the developed legal norms. Unfortunately, the prevailing administrative practice does not facilitate the establishment of cooperation relations based on trust.

4. Poor infrastructure in several regions of Uzbekistan. Insufficient level of development of railway, mainline and communal infrastructure in the regions are obstacles for the participation of foreign companies in projects in the territories.

State regulation of investment processes is necessary to stimulate investment in

industries, the development of which contributes to the sustainable development of the whole society. Public authorities should strive to form such a state of the system of investment factors, which would be most conducive to increasing the volume and quality of investment. Therefore, we consider what is needed: carrying out various events that contribute to improving the image of the region (fairs, festivals, exhibitions, conferences, etc.); formation of a databank of production facilities proposed for inclusion in the investment process of property intended for leasing.

A special role in the creation and maintenance of a favorable investment climate in the region is played by the mechanism of interaction between the authorities and investors and non-state enterprises. Some measures can be proposed that could contribute to the creation of a favorable regime for such interaction at the regional level. Thus, it can be argued that the creation of a favorable investment climate is a rather difficult task that requires active actions from the authorities in many areas of economic life.

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