

Nature, Composition and Evaluation Criteria of Investment Power



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ABSTRACT: The article explores the concept of investment potential, which is an important issue in the development of the national economy, from a scientific and theoretical point of view. In addition, the criteria for assessing investment potential in many respects to increase the efficiency of investment attraction and their use have been studied and relevant conclusions and recommendations have been formed.

KEYWORDS: Investment, investment potential, investment policy, economic zones, investment attractiveness, economic efficiency.

INTRODUCTION

The process of modernization and liberalization of the economy is increasing the importance of ensuring the attractiveness of the investment environment and the formation of new regional centers in the form of special economic zones is leading to increased competition in attracting investment, skilled labor and promising infrastructure projects. Large regional centers account for 81% of world GDP, 62% of exports and 83% of investments.

At the same time, other regions and countries are pursuing special policies aimed at increasing their economic potential and improving them.

In practice, investment policy is one of the main directions of economic development of any country and the expansion of production in it. Therefore, increasing investment attractiveness in the comprehensive development of the national economy requires a direct active investment policy. This will ensure the implementation of profound structural changes in the country. Activation of foreign and domestic investment flows in the sectors of the national economy is a key factor in launching a new phase of economic growth. Therefore, since investment is the driving force of any economy, ensuring its development, creating jobs, contributing to the formation of the source of income of the population, it is necessary to use all opportunities to increase investment in the economy.

In this regard, it is worth noting the views of President Sh. Mirziyoev that “the gradual reduction of the tax burden, simplification of the tax system and improvement of tax administration are important conditions for rapid economic development and “improving the country's investment attractiveness” [1].

THE MAIN FINDINGS AND RESULTS

From the point of view of developing a strategic approach and program measures to diversify the country's economy, the need to study the methodological and practical aspects of this issue is obvious.

In general, the theoretical, methodological and practical aspects of ensuring the attractiveness of the investment climate and effective management in Uzbekistan as a special, independent object of research are insufficiently studied, which determines the relevance and scientific-practical significance of the chosen topic.

Issues of regulation of regional development of the economy of Uzbekistan in the scientific works of Sh.B.Imamov [2], as well as in the dissertations of D.D.Rustamova, S.S.Nasretdinov, N.N.Oblamurodov Theoretical bases and priorities of attraction of foreign investments in the conditions of economic liberalization, national ways to increase the efficiency of investment in the modernization of the economy, the theoretical basis and priorities for attracting foreign direct investment are studied.

In the economic literature, various concepts are interpreted as investment potential (Table 1.1).

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Table 1.1. Concepts interpreted as investment potential in the economic literature

(Author's development)

Types	Concepts interpreted as investment potential	Муаллифлар	Source of literature
1	Business environment	J. D. Daniels and Lee. X. Radeba	Daniels J.D., Radeba L.X. International Business: The External Environment and Business Operations. 4th ed. - Moscow: Delo LTD, 2014. – p. 438.
2	Economic, financial and other conditions that affect the efficiency of investments	J. Downs and G. Elliot	Downs J., Goodman J.E. Financial and investment dictionary. 3rd ed. – Moscow: Infra-M, 2017. – p. 255.
3	Financial products	Gitman L., Jonk M.	Investment basics. – Moscow: Delo, 1999. - p. 642
4	The concepts of investment environment, investment climate, business environment are synonymous with investment potential	Sivakova S.Yu.	Sivakova S.Yu. Formation of an investment climate in order to attract foreign investment (On the example of the Smolensk region) [Text]: Diss. Candidate of Economical Sciences: 08.00.05 - St. Petersburg, 2014 - p. 22.
5	They stressed the need to differentiate between the concepts of investment climate and investment potential, and cited factors that justify it.	Representatives of the Institute for Development Studies (IDS, University of Sussex) Moore and H. Shmitts	Moore M., Schmitz H. Idealism, realism and the investment climate in developing countries– Sussex: Institute of Development Studies, 2016 – p.22
6	A set of fundamentals for the existence of guaranteed conditions and opportunities created for investors	D.Gozibekov	G'ozibekov D. (2003). Investment financing issues. – Tashkent: Finance. – p. 67.
7	The general level of objective socio-economic, natural-geographical and environmental indicators that characterize the conditions of economic development of the country and have a positive or negative impact on the formation of investment activity in it	Sh. Mustafakulov	Mustafakulov Sh.I. (2017). The attractiveness of the investment climate. T.: Baktria press. – p. 18.
8	Increasing investment potential in the comprehensive development of the national economy requires a direct active investment policy.	Team of authors: Under the general editorship of B. Salimov, I. Khotamov	"Investment Activity: Analysis and Opportunities." Tashkent State University of Economics. Collection of monographs. – Tashkent.: «Science and technology», 2019, 93-p.

The authors have different interpretations of the concept of "investment potential".

According to foreign economists, this concept is more synonymous with the concept of "business environment". In particular, according to J. Deniels and Li H. Radeba, TMCs in the 70s and 80s have now "fully copied the conditions for adapting to the requirements of the business environment (environmental scanning)" [3, p. 438].

As Downes and Elliott point out, "the investment climate is the economic, financial, and other conditions that affect the efficiency of an investment" [4, p. 255].

Thus, many foreign researchers interpret the concept of "investment climate" as an important factor in the formation of "investment potential" and interpret it as a set of external conditions that shape the level of risk of capital investment and the attractiveness of investing in a particular object.

According to S.Yu.Sivakova, these categories are used in foreign practice as completely synonymous concepts [5, p. 22]. Representatives of the Institute for Development Studies (IDS, University of Sussex) M. Moore and H. Schmitts emphasize the

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need to differentiate these concepts and describe the factors that justify it [6, p. 22]. According to them, the improvement of investment potential (or investment climate) implies the possibility of reducing the costs of doing business, and the improvement of the investment environment - the ability to reduce the risks of investing capital.

According to one of our local economists, D. Gozibekov, "investment potential is a set of foundations created for investors, guaranteed conditions and opportunities" [7, p. 67].

According to Sh.Mustafakulov, "the country's integrated investment potential is the general level of objective socio-economic, natural-geographical and environmental indicators that characterize the conditions of economic development of the country and have a positive or negative impact on the formation of investment activity in it" [8, p. 18].

Attracting investment is an important task for all countries. The organization of expanded reproduction, the implementation of strategic development programs, and the acquisition of new markets require additional investment.

Attracting investments is crucial for the development of the country's economy, the construction and reconstruction of new enterprises equipped with modern equipment and technologies. This will provide an opportunity to address important social issues, such as increasing employment and incomes in the first place. Therefore, it is important to provide economic incentives and create the necessary conditions for enterprises that are actively attracting foreign investment.

Investment potential is a factor that drives any economy and ensures its development, and it is necessary to increase the volume of investments in the economy using all opportunities wisely (Table 1.2).

Table 1.2. Factors influencing the formation of investment potential [9, p. 71]

Factors	Contents
Economic situation	The state of the country's balance of payments, the stability of the monetary system, the development of foreign economic relations, the size of the domestic market, the rate of inflation, GDP, industrial and construction production growth rates.
Legal framework	Existence of decrees, decisions, regulations, guidelines that guide the socio-economic development of the country and its individual sectors in accordance with the new conditions.
Natural raw material resources	Reserves of mineral, raw materials, fuel, energy and water resources, production volumes of agricultural raw materials.
Labor resources and employment	Number of economically active population, share of employed population, unemployment rate, employee income level, staff qualification level.
Technical base of production	The level of utilization of fixed assets, production capacity, the structure of the useful life of equipment, the degree of depreciation of fixed assets
Scientific and technical potential	Investments in economic development, including volumes of foreign investment. Investment risk level. Technical equipment of production, use of scientific and technical achievements and the state of development of the field of research and development, production of large and high-tech types of products with scientific capacity.
Financial and credit system	Tax and credit policy, the real sector of the economy, the level of profitability and profitability of enterprises. Price policy and price formation policy.
Infrastructure	The state of development of the banking system, the reliability of the transport, communications and hotel industries, commodity and stock exchanges, marketing, consulting, auditing services, insurance industry.
Ecological situation	Level of environmental pollution, radiation background, harmful emissions.

The main indicators that characterize the economic situation in the country (GDP, growth rates of industrial and agricultural production, the level of development of foreign economic relations, etc.) are at the same time a sufficiently stable dynamics and a significant guarantee in creating a favorable investment climate.

The size of the domestic market capacity of the host country is an important factor for foreign investors. The analysis shows that the domestic market of Uzbekistan is not yet fully saturated with consumer goods, so a significant part of the gross demand of the population is met through imports.

Uzbekistan has a sufficiently developed industrial and scientific-technical potential to produce high-tech products. Due to the diversified industrial potential of the country, it is possible to organize the production of science-based products such as cars, airplanes, transformers and batteries, various electrical appliances, electronics, elevators, hydraulic pumps, tractors, new modifications of cotton harvesters.

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Another important factor in the high attractiveness of the country for foreign investors is the availability of a rich resource base.

The main goal of the investment policy pursued in the country is to increase the interest of economic entities, improve the structure of sources of funding and increase the investment potential of the country through the establishment of joint ventures with foreign partners. This policy primarily serves to ensure sustainable economic growth through the formation of an effective system of state regulation and support of investment processes. The ongoing investment policy creates favorable conditions for domestic and foreign investors to conduct business. In the context of modernization of the economy, special attention is paid to increasing the investment activity of enterprises and the population, expanding the attraction of foreign investment in the economy of the republic.

Enhancing the competitiveness of our economy requires coordination of the activities of real sector enterprises and national industries and sectors, on the one hand, the attraction of investment in innovation, the integration of structures interested in creating conditions for the development of the innovation process. This task is assigned to the system of implementation of innovation policy of the state and performs the following functions:

- Attracting financial resources for the development of priorities of the innovation system;
- Ensuring the most important interests of the state through the implementation of innovative research and development, creating conditions for the production of competitive goods and services;
- Reforming the process of training personnel for science and other industries with high capacity in the country, providing the economy with new equipment and technology, creating the basis for the provision of personnel necessary for its intensive development;
- Reforming the network of scientific organizations in order to implement priority research and development, taking into account limited resources;
- Reduction of energy and material capacity of GDP;

Thus, an in-depth study of trends in the development of innovative activities to form and increase the investment potential of the national economy in order to increase its competitiveness will have a positive impact on the supply of innovative products for domestic and foreign markets.

By the Decree of the President of the Republic of Uzbekistan Sh. Mirziyoev dated February 7, 2018, the Action Strategy for the five priority areas of development of Uzbekistan for 2017-2021 was approved [10]. It was noted that "the programs of socio-economic development of the regions are important as an important factor in increasing the economic potential of the regions, its effective management". In 2017-2021, it is planned to implement sectoral programs involving 649 investment projects worth \$ 40 billion. As a result, over the next 5 years, industrial production will increase 1.5 times, its share in GDP will increase from 33.6% to 36%, and the share of the processing industry will increase from 80% to 85%.

In particular, it is planned to fully implement employment programs by creating 256.4 thousand jobs through the implementation of about 25,000 investment projects for the comprehensive development of the regions. It is planned to create 46.8 thousand new jobs in the regions with the highest unemployment rates, to provide loans to 10,000 graduates of educational institutions to start a business.

However, at present, first of all, the attraction of foreign investment in the economy of countries and regions remains disproportionate. The bulk of foreign investment is still centralized. The volume of investments directed on the basis of regional investment programs makes up 10.4-16.5% of the total foreign capital. This shows that local executive authorities have certain problems and shortcomings in dealing with foreign investment.

In recent years, direct investments have not exceeded 16.5% of total investments. This figure alone confirms the need to reconsider the territorial aspects of investment policy in order to ensure the attractiveness of the investment environment. In this regard, it is necessary to consider the issue of delegating powers to local authorities in order to attract and develop foreign capital. It is advisable to reduce the minimum capital investment for the inclusion of projects in the public investment program to 200-300 thousand US dollars.

The Ministry of Economy and Industry of the Republic of Uzbekistan annually prepares investment programs, programs for medium-term development of industries and regions. The final draft of the investment program will include investment projects signed by the government and worth more than \$ 500,000, among other proposals to attract foreign investment under the name or guarantee of the government. The proposals that are not included in this section will be reflected in sectoral and regional development programs.

The theoretical and methodological basis for the study of areas of effective management of investment potential of the regions are the concepts of regional production complexes, economic zoning, location and development of productive forces. This

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requires a deeper study of the regional aspects of effective management of investment potential and further improvement of its methodological aspects.

It is known that the exact methodology for assessing the investment potential of the country is not defined by any international law, so recently different methods have been used to calculate the indicators for determining the investment potential.

Positive examples of foreign practice in determining the methodology of investment potential are found in the work of Harvard Business School - Gain-Hayesler, world economic journals such as "The Economist", "Fortune", expert agencies such as "Moody's", "Standard & Poor's".

At the same time, it should be noted that the relevant organizations and their methodologies, which are constantly engaged in determining the investment potential of the regions of the Russian Federation, include: "Kommersant" magazine – "Methods of monitoring the socio-economic environment of Russia"; Magazine "Expert RA" - Annual rating of investment potential of the regions of Russia; The "Methodology for calculating the investment potential of the regions" developed jointly by the Institute of Experts and the University of Birmingham in Eastern Europe (UK), "Methodology for assessing the investment potential of the Russian regions" developed by the Institute of Economics of the Russian Academy of Sciences.

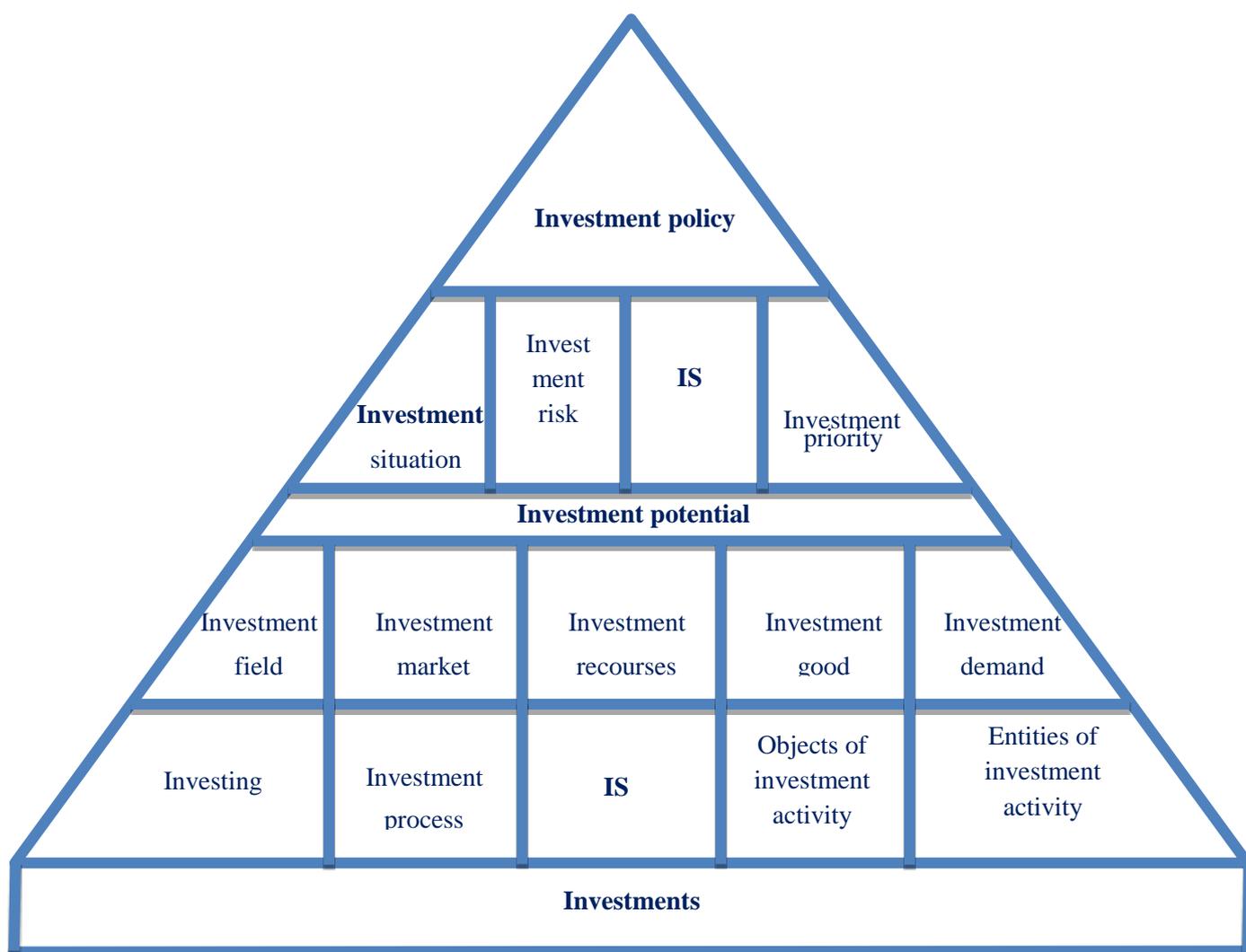


Figure 1.1. A terminological pyramid representing investment potential

CONCLUSION

The methodological approach to the definition of this basic concept allows a scientifically based approach to other levels of concepts - investment, investment process, investment activity. However, the manifestation of investment potential as an object of our research requires a scientific interpretation of the economic content of this concept, and this need stems from the highly disproportionate distribution of investment space in the Republic of Uzbekistan. Often, the concepts of "investment potential", "investment environment", "and regional competitiveness" are used interchangeably, and this, in our opinion, is incorrect.

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This is because the investment potential is determined by the internal and external environment of the voluntary investment cell (organization, local government, region, state) (see Figure 1.2).

Accordingly, the investment potential of the region should be understood as the economic categories that characterize the socio-economic conditions of the region, ensuring the inflow of the required amount and quality of investment into the regional economy, aimed at sustainable development of the regional economic system.

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