



ANALYSIS OF TRENDS IN IMPROVING THE INVESTMENT CLIMATE IN UZBEKISTAN AND METHODS FOR MINIMIZING RISKS

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Abstract

In this study, we will consider the current state of the investment climate in the economy of Uzbekistan, as well as methods and tools aimed at reducing the risks associated with investment projects. The paper will analyze the theoretical and practical aspects of risk management, which play a key role in stimulating investment activity and attracting foreign investment. Special attention will be paid to the stages of identification, assessment, control and minimization of risks necessary for the successful implementation of investment projects. The article will present various definitions of risk proposed by economists, as well as methods of qualitative and quantitative risk analysis. In addition, we will consider modern approaches to risk management. Effective tools such as diversification, guarantees, insurance, and financial protection measures for project risks will be offered to minimize risks.

Keywords: Investment climate, risk minimization, risk management, investment projects, foreign investments, qualitative and quantitative assessment, project risks, sources of financing, investment activity, expert assessment.

INTRODUCTION

In the context of globalization and increasing competition on the world stage, investment plays a key role in stimulating economic growth. This is especially true in developing countries, where creating a favorable investment



environment, attracting both foreign and domestic investments and ensuring their stability are of strategic importance.

In this regard, an in-depth analysis of trends in improving the investment climate and the search for ways to reduce investment risks is becoming particularly relevant in Uzbekistan.

The essence of investments is revealed through their forms, and the purpose is determined by their main function — accumulation. In the context of economic liberalization, modernization and reforms of society, one of the main tasks is the development of investment activity and the improvement of its organizational and legal foundations.

It is extremely important to ensure the protection of the rights and interests of investors, as well as to improve the investment climate in the state. To do this, it is necessary to investigate various aspects and nuances of operations in the investment market, as well as the risks faced by participants in these operations. It is important to understand the causes of risks, to learn how to assess them and effectively manage them.

Analyzing various points of view, it can be concluded that investing is the process of combining own, borrowed and borrowed funds with certain risks associated with certain and uncertain factors for a certain period of time. The main task is to preserve the value of investments and ensure that they can be multiplied.

Uzbekistan, as a country that is actively developing its market, has developed and is successfully implementing its own strategy for attracting foreign investment.

In the development strategy of Uzbekistan for the period from 2022 to 2026, special attention is paid to further improving and increasing the attractiveness of the investment climate in the country.

Over the next five years, it is planned to attract 120 billion dollars of foreign investment, of which 70 billion dollars will be directed in the form of direct investments [1].

The strategy also provides for the implementation of measures to attract foreign and domestic investments until 2026. It is planned to create a new system for the



efficient use of investments and increasing export volumes based on the bottom-up principle.

A project that meets the interests of the investor does not involve any risks associated with its implementation.

Evaluating the cost-effectiveness of alternative projects is a key aspect in choosing the most promising option. A comparative analysis allows you to determine which project has the lowest level of risk, the highest profitability, a fast payback period, stable income and reliable viability.

Such an analysis helps an investor choose a project that is truly competitive and deserves financing.

In recent years, Uzbekistan has been undergoing reforms aimed at liberalizing the economy, simplifying business conditions, protecting property rights, improving tax and customs systems, and increasing the openness and transparency of public administration. These measures contribute to improving the country's position in international investment attractiveness ratings, creating more favorable conditions for investors.

However, despite the positive developments, there are risks that may affect investment activity. These include currency fluctuations, legal difficulties, institutional problems, infrastructure constraints, and global economic instability.

In this regard, it is important to conduct a thorough analysis of current trends that contribute to improving the investment climate. It is also necessary to identify existing and potential risks in the investment sector and find effective ways to minimize them. This is of interest not only from a scientific point of view, but also from a practical one.

A deeper study of this topic will help improve investment policy, strengthen investor confidence and ensure stable growth of the national economy.

Research in this area is becoming particularly important because it allows us to draw important theoretical and practical conclusions that can stimulate investment activity in Uzbekistan. In addition, they contribute to the introduction of advanced risk management methods and the adaptation of international experience to the specifics of the country.



LITERATURE ANALYSIS

Financial resources are required to invest in a project. Investors expect to receive income that will compensate for costs, take into account inflation and possible risks. However, these expectations are not always fulfilled.

The main reason is the risks associated with investments. This means that there is a possibility of losing the invested funds, making less profit than expected, or even being unable to achieve the project goals. The higher the expected return, the higher the risks.

Speaking about the concept of risk, economist E.S. Stoyanova in her book "Financial Management" defines it as "risk is the probability of incurring losses or the risk of not receiving the expected income" [2; 178 p.].

According to P.G. Graboviy, S.N. Petrova, and S.I. Poltavsev's book "Risk in Modern Business," "Risk is the probability that an enterprise loses a certain portion of its resources as a result of certain production and financial activities, fails to generate profit, or incurs additional expenses" [3; 101 p.].

Economist V. A. Chaliy-Priluskiy, in his book "Market and Risk," states: "Risk is an activity performed under the conditions of choice, when there is a possibility of falling into a more difficult situation than before the choice in the event of failure" [4; 63 b].

According to the Russian scientist V.M. Granaturov, "Risk is an activity related to eliminating uncertainty in the conditions of inevitable choice, in the process of which there is an opportunity to quantitatively and qualitatively assess the achievement of the intended result, failures, and deviations from the target" [5; 68 p.].

According to the Uzbek economist Sh.Z. Abdullayeva: risk and danger are separate things, that is, risk is the activity of the economic subject and it is connected with choice. This activity is carried out on the basis of the subject's choice in the context of risk. The higher the risk, the less risk the subject takes, and the risk approaches zero [6; 360 p.].

From these definitions, it can be concluded that there are two main approaches to understanding risk. The first approach considers risk as an objective phenomenon that can lead to the loss of some or all of the resources, as well as to the inability to receive the planned income and incur losses [7-10].



The second approach considers risk as an action aimed at achieving a positive result, but with the awareness of the possibility of failure or damage. In this case, the risk becomes part of the activity and determines whether it is worth starting. However, this definition is not exhaustive either [11-15].

In the context of considering risk solely as a choice of the subject, there is no need to study and classify it. In this case, we can talk about the factors that affect the risk. However, it is not possible to identify specific types of risk, such as "country risk". In addition, there is no need for risk management. This indicates that Uzbek economic scientists consider risk through the prism of the concepts of risk and riskiness.

As part of this approach to risk, it is possible to talk about the factors influencing it, but not to single out certain types of risk, for example, "country risk". There is also no need for risk management.

Thus, we consider it advisable to clarify the definitions of risk and riskiness. Currently, the risk management stage is becoming particularly relevant, which includes risk analysis and the study of the results of this analysis by project participants. It should be noted that the results of the risk analysis and cash flow within the framework of the developed investment project are of great importance for the subsequent period and have a promising character.

However, it must be borne in mind that the prospects may turn out to be erroneous and may not lead to the expected profit. Therefore, risk analysis is an essential tool in the process of examining investment projects.

RESEARCH METHODOLOGY

This article examines trends in improving the investment climate in Uzbekistan and issues of risk minimization. For this purpose, through the analysis of the literature on the topic, various interpretations of the concept of risk, trends in the investment environment, and risk management methods were analyzed. Based on statistical data, an analysis of the volume, structure, and interregional distribution of investments was carried out. Scientific methods such as a systematic approach, comparative analysis, qualitative analysis, quantitative analysis, and expert evaluation were also used. Based on the results of the



analysis, positive trends and risk factors of the investment climate were identified. Risk minimization directions proposed.

RESULTS

In a market-based economic system, there is a close interdependence between various factors such as reliability, security, risk, profitability, liquidity of financing sources, specific investment objectives, and the methods for achieving these objectives. The expected future impact of investments in such an economic environment is achieved through optimizing their security, profitability, capitalization, and liquidity. Additionally, investment goals are agreed upon or compromised in order to ensure success.

Statistical indicators show that the dynamics of fixed asset investment over the past five years have increased by almost 2.8 times. For example, in January–September 2025, investments totaled 80.2 trillion soums, an increase of 80 trillion compared to the same period in 2024.

Based on data from the National Statistics Committee of the Republic of Uzbekistan, we can analyze trends in investment climate improvement, financing sources structure, interregional disparities, foreign investment role, and ways to mitigate risks.

Positive Investment Climate Trends:

- Significant investment growth: From January to September 2021, fixed assets were invested in the amount of 443.6 trillions soums, which is an increase of 115.2% compared to 2019. In the past five years, investments have almost doubled. This indicates a steady improvement of the investment climate in Uzbekistan.

- The increase in foreign investment share: In January–September 2025, foreign direct investment amounted to 183.3 trillions of soums, accounting for 41.3% of total investment. This shows the increasing attractiveness of Uzbekistan for foreign investors.

According to the data, the private sector plays a significant role in investment growth in Uzbekistan. Decentralized financing sources, such as enterprise funds, public funds, bank loans, and foreign investments account for 90.3% of total



investments. This demonstrates the significant contribution of the private sector and the banking system to the country's economy.

The interregional distribution of investment shows that high growth rates are being seen in Tashkent, Namangan, Ferghana, Syrdarya, and Khorezm, with growth ranging from 150% to 158%. These regions are experiencing accelerated new project development and infrastructure growth.

However, there are also risk factors that need to be considered.

High reliance on foreign investment: Foreign investment and loans account for 71.7% of the total investment portfolio, which may increase the economy's sensitivity to global economic fluctuations and political instability. The technological content of these investments is unbalanced, with a focus on construction and machinery. Investments in innovation and research and development are relatively low, as 46.4% of investments are directed towards construction and installation works and 42.1% go towards machinery and equipment.

Investments in some regions, such as Bukhara and Jizzakh, are below average and have low growth rates. The technological content in these regions is also unbalanced, with most investments focused on construction and machinery and less on other areas, potentially indicating an imbalance in regional development. The majority of investments (61.5%) are directed towards new construction, while a small percentage (22.1%) is allocated to expansion and reconstruction. This suggests that a significant portion of resources are being invested in building new infrastructure rather than upgrading existing facilities.

To reduce risk, the following methods can be considered:

1. **Diversification of financing sources:** increasing the share of centralised resources such as the state budget and the Reconstruction Fund. Additionally, increasing the use of domestic enterprises' own funds can help diversify financing sources.
2. **Stimulation of investment in innovation:** increased investment in R&D, technological renewal, and digitalisation. Tax incentives and subsidies can also be introduced to encourage investment in innovation.
3. **Ensuring inter-regional balance:** improvement of infrastructure and logistics in regions with lower investment levels. Creation of special economic zones and



incentives for investors can help ensure a balanced distribution of investment across regions.

4. Strengthening guarantees for foreign investors: investment agreements, agreements on the prevention of double taxation, and further improvement of judicial protection mechanisms for investments.

5. Implementation of sustainable construction standards and environmental protection: implementation of environmentally friendly construction projects, promotion of energy efficiency, and investment in renewable energy sources.

The investment climate in Uzbekistan is experiencing a period of positive change, thanks to the significant increase in foreign investment and the contribution of the private sector. However, there is still room for improvement in some areas, such as diversifying funding sources, investing in innovation, promoting inter-regional cooperation, and ensuring environmental sustainability.

By harmonizing public policies, engaging the private sector, and fostering international cooperation, Uzbekistan can create a more sustainable, competitive, and rational investment environment that will promote long-term growth and development.

DISCUSSION

In the field of investment planning, the concept of project risk assessment has recently gained significant attention. Drawing on the collective knowledge and experience of experts from around the world, risk analysis has emerged as an essential component of any business plan for an investment project.

During the evaluation of investment proposals, all relevant data related to the project is carefully analyzed, with a focus on ensuring the accuracy and reliability of the information provided. Potential risks and their potential consequences are also assessed, and risk analysis serves as a vital link between the initial assessment of the project and its subsequent implementation and management.

Risk is the probability of losses. Project risk can be defined as the level of threat that a project may face if successfully implemented. Currently, there are many methods available to analyze the risks of a project. Risk analysis plays a key role



in evaluating investment projects. It allows you to identify potential losses that may occur during the implementation process and develop measures to prevent or minimize them. To create effective risk mitigation strategies, it is necessary to identify the factors contributing to their occurrence and assess their significance. This work is called risk analysis. The main purpose of risk analysis is to provide the investor with the information necessary to make a decision on investing in an investment project and to develop protective measures against possible losses.

Thus, it is extremely important for all project participants to conduct an individual risk analysis. This process should be carried out at all stages of the investment project implementation, including customers, banks, insurance and leasing companies, as well as suppliers.

Risk analysis usually includes two main stages that are closely interrelated.:

1. Qualitative analysis is aimed at identifying various types, factors and degrees of risks.
2. Quantitative analysis — allows you to assess both individual risks and the project as a whole.

Risk assessment involves the use of a variety of methods to minimize them. It includes both qualitative and quantitative risk analysis. Depending on the type and group of risk, appropriate mitigation methods are selected.

Risk analysis is the most important stage that helps the initiators of the project to assess possible losses in case of investment or rejection. It is carried out at all stages of the project implementation and continues until its completion.

Risk identification refers to qualitative analysis, while assessment refers to quantitative analysis. The most common quantitative methods of risk analysis are:

- Statistical method;
- The method of statistical experiments;
- Cost feasibility analysis;
- Expert assessment;
- Analytical methods and others.



Risk analysis provides potential participants in an investment project with valuable information necessary to make informed decisions about its implementation.

Risk management is a set of actions aimed at finding the optimal balance between risk and profit. The main goal of risk management is to minimize possible losses.

The risk management process covers several key stages:

1. Identification of risks. At this stage, potential threats that can negatively affect the success of the project are identified.
2. Risk analysis and assessment. During this stage, a comprehensive analysis of the identified risks is carried out to assess their potential impact on the project.
3. Development of risk mitigation measures. At this stage, strategies and plans are created to minimize negative consequences or eliminate existing problems.
4. Risk prevention and control. At this stage, measures are being taken to prevent and control the further growth of risks.
5. Selection and application of risk management methods. Risk management methods are selected taking into account the specifics of the project and the specific situation, which helps to optimize the process and achieve the goals set.
6. Collecting information about risk situations and their consequences. At this stage, data is collected on previously encountered risk situations and their consequences, which makes it possible to better understand and prevent future risks.

At this stage, the experience gained during the implementation of the project is reflected upon and recommendations are developed for future projects.

The identification of risk factors includes the search and analysis of the causes that may negatively affect the project.

The main goal of risk management is to prevent the occurrence of undesirable consequences. Decision makers should be clear about the possible outcomes of unforeseen events. This will help them come up with an action plan that minimizes potential losses. The employees of the bank's management board should develop tactics and a risk prevention strategy that will be applied in their daily work.



The main task of risk management in the banking sector is to ensure the safety of funds and to continue operations in the lending market. Various methods are used to achieve this goal:

Distribution of responsibility. The Bank may offer several investors and the borrower to jointly be responsible for financial resources. This method is often used when granting loans to large companies, but is less commonly applied to small businesses.

Securing the loan with collateral or surety. The bank may accept valuable property as collateral or engage a guarantor to secure a loan.

Transfer of risks to the borrower. The bank may charge the borrower an additional fee to cover possible losses.

Risky lending to a new project. Sometimes the bank is willing to take a risk and provide financing for a new project.

In case of losses, the bank may create special funds to compensate for them. To ensure effective risk management, it is necessary to continuously monitor the condition of each client and conduct a detailed analysis of guarantees and potential risks.

In situations where the responsibility for financing a project is shared between several investors and the borrower, the risk allocation method is used. This approach is widely used in the implementation of large projects, but it is used less often in small businesses.

With limited credit resources, the cost of distributing risks among investors can be significant. In such cases, obtaining a loan from a bank may be a more reliable solution.

In addition to the project participants, insurance companies are involved in the risk management process. This is due to the fact that with a small loan size, the cost of distributing and controlling risks among investors can lead to a decrease in the likelihood of obtaining a loan from a bank. Insurance companies assess risks and monitor plans and programs to minimize them.

The evaluation of the results is a set of risk management measures within the framework of the project. This activity is based on an extensive amount of data and allows you to adjust the risk analysis, choose the most effective methods of



managing them, evaluate the results and calculate all the costs of risk management.

The recommendations and conclusions obtained from the evaluation of the project can be useful for other projects.

There are several risk assessment methods in investment projects.:

1. Sensitivity analysis. This method allows you to identify factors that may have a significant impact on the project and assess the consequences of their changes.

2. Break-even point. This method allows you to determine how much money is needed for a project to start making a profit and assess its sustainability.

3. Stability check. This method allows you to anticipate possible problems in advance and develop measures to prevent them.

To minimize losses from risks, it is necessary to develop a risk management strategy. The choice of management methods depends on the specifics of the project and the factors influencing it.

The risks may be common to all projects or unique. Effective risk management requires a specialist with relevant knowledge and skills.

Risk management is an ongoing process that contributes to the successful completion of a project and minimizes potential losses.

Risk management during project development and implementation includes the following steps:

1. Drawing up a plan to minimize and prevent risks.
2. Identification of potential risks.
3. Assessment of the likelihood of risks and their potential impact on the project.
4. Analysis of the degree of significance of risks.
5. Choosing the most effective risk prevention methods.
6. Risk monitoring during the project implementation process.

All the above-mentioned stages of project risk management are interconnected. Each stage is performed once in each project.

CONCLUSION

Depending on the specifics of the investment projects being implemented, these stages may vary. In particular, in industries of strategic importance to the state, such as the electric power industry, transport, and the oil and gas industry,



investment management is carried out under strict state control and is of particular importance.

1. Risk management planning. The risk management planning process is closely related to project-specific management and decision-making planning. It also includes the organization of staffing, which is a key aspect of effective project risk management.

2. Classification of risks. In the risk assessment process, it is necessary to identify and group the factors that may have a significant impact on the project. It is important to note that proper risk assessment is a key step in managing investment projects.

3. Risk analysis. Risk analysis is a process in which a detailed study of potential threats related to a project is carried out and the most significant of them are identified. Both standard and specialized methods and tools are used in the analysis process. We believe that the use of universal analysis methods does not always allow us to obtain reliable results. Therefore, it is necessary to use specialized approaches that take into account the unique features of a particular project.

4. Quantification of risks. In scientific research, quantification of risks refers to determining the probability of their occurrence and the degree of impact on a project. We believe that although quantitative analysis is usually considered as a separate stage of risk management, it should be applied in close connection with the stage of qualitative assessment.

5. Planning and selection of risk reduction methods. In scientific papers, the planning and selection of risk reduction methods is understood as the process of developing approaches and technologies aimed at minimizing risks that may have a negative impact on the project.



6. Risk monitoring. The risk monitoring stage includes a regular analysis of the effectiveness of measures to prevent identified and imminent risks, as well as an assessment of the overall effectiveness of these measures.

It is important to note that the choice of risk management methods in investment projects should be based on the results of the analysis.

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