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## THE IMPACT OF INNOVATIVE MECHANISMS IN ATTRACTING FOREIGN INVESTMENT

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### Abstract

This article presents the structure of innovative mechanisms for attracting investment to the country, provides feedback from local and foreign scholars in the field of investment, as well as analyzes data on the investment potential of the Republic of Uzbekistan. In turn, the article also contains the author's own views and scientific opinions.

**Keywords:** investment mechanism, investment flow, recipient, investment environment, investment potential, investment attraction, driver, investment risk, investment and innovation.

### Introduction

In today's era of globalization and fierce competition, it is difficult to imagine the sustainable development of the country's economy without its active participation in world economic relations. Along with international trade, international investment flows based on mutually beneficial cooperation between the two countries are of great importance today. In turn, foreign investment will accelerate the pace of structural restructuring of the economies of developing countries. Attracting foreign investment as the most important direction will largely depend on the ongoing political and socio-economic reforms in a country. Foreign investment plays an important role at both the macro and micro levels, it determines the future of the individual business entity and the country as a whole, and is the driving force of the economy.

As a result of the great attention paid to attracting foreign investment in our country, the economy is growing at a stable and high rate. Further strengthening



the attraction of foreign investment in the economy of the republic is a necessary factor in creating a business environment as a source and condition for the effective implementation of the planned measures for the renewal and modernization of the country. Scientific and technical innovations apply to production on the condition that they become the property of the buyer or through the right or conditions of temporary use, being the property of its owner. Encourages manufacturers to innovate.

The more favorable the investment climate, the lower the entrepreneurial risk of the investor, and this will increase the influx of investors. Conversely, the more unfavorable the investment climate, the higher the risk. This will increase the cost to the recipient of the investment. The state of the investment environment is important not only for the investor but also for the investor [1].

## **2. Literature Review**

The concept of “innovation” is used to mean investing in something new. The concept of innovation entered the economy in the early twentieth century. Australian economist J. Schumpeter was the first to address innovation issues and give a detailed description of the innovation process. In the economic literature, many authors have different approaches to the concept of “innovation”. Many authors consider innovation to be economically feasible, meaning that new resources are created or existing ones are used in an unconventional way. According to A. Busigin, innovation is the renewal of fixed capital or products using science, technology and engineering [2].

Access to markets and resources is a key factor in attracting foreign direct investment. The concentration of foreign capital only in certain regions and in certain industries limits the development of the economies of other regions, primarily affecting the economies of underdeveloped regions [3].

The inflow of foreign investment will lead to the development of the stock market, as intensive foreign investment firms will list their shares in the local stock market to attract foreign funds. An increase in the flow of funds and transactions increases the demand for financial intermediation, and as a result, the stock market develops [4].



The importance of investment is reflected not only in new jobs and capital investment, but also in the influx of new technologies and know-how. Old devices and machines are replaced with new ones; better management methods will be introduced, and the efficiency of companies and sectors of the economy as a whole will increase [5].

Infrastructure, public fiscal policy, project profitability, and the practical implementation of relevant regulations should be taken into account when attracting investment [6].

The investment attractiveness of enterprises depends on the country's investment policy and the created investment climate. In particular, the investment climate is seen as a system of three elements: investment potential, investment risk, and legal conditions [7].

In developed countries, the investment process depends on the impact of market conditions, sources and volume of investment financing [8].

### **3. Research Methodology**

The role of foreign investment in ensuring the competitiveness of enterprises, the classification of risks affecting the activities of the enterprise, as well as scientific proposals and practical recommendations for improvement through the methods of systematic analysis were formed.

### **4. Analysis and Discussion of Results**

It is known that the competition between the countries of the world to attract foreign investment to their national economy is growing from year to year. Therefore, the more favorable the conditions for foreign investors, the more likely they are to make a profit, in other words, the more interested they are in investing in the economy of that country. This is a solution that conforms to the law of relative efficiency of the market economy, i.e., where the profit potential is relatively high, entrepreneurs tend to be more interested in the market there.



**Table 1 Flow of foreign direct investment in Central Asia and Uzbekistan [9]**

<b>Characters</b>	<b>Central Asian countries</b>	<b>Uzbekistan</b>
<b>Growth</b>	The growth of foreign direct investment has led to economic growth and increased efficiency	Direct investment has led to financial growth and declining poverty
<b>Sector</b>	More foreign investment has been attracted in energy, agriculture and manufacturing	More foreign direct investment was attracted in mining, agriculture, energy, services, textiles and tourism.
<b>Natural resources</b>	Countries in the region have attracted foreign direct investment because they are rich in natural resources	Attracting foreign direct investment due to the country's rich natural resources
<b>Education and infrastructure</b>	They are not the main factors in attracting foreign direct investment	The Uzbek government has improved infrastructure and social services
<b>Legal basis</b>	The rule of law has developed in high foreign direct directions	Many legal reforms have not been implemented
<b>Protecting the environment</b>	Foreign direct investment has increased CO2 emissions in the region	A successful environmental strategy has been used

As the economic policy of our country is aimed at attracting and encouraging more direct investment, the flow of various forms of investment is growing from year to year. Because in the framework of reforms in our country, it is the direct participation of investors, and we have enough conditions for this. In particular, such factors as the rich mineral resources of the regions of the republic, a healthy environment, political, socio-economic stability will undoubtedly contribute to the further inflow of foreign investment and the development of enterprises operating in the regions of the republic. The issue of creating a positive investment climate should not be interpreted as a key process in the globalization of the economy, and as a result, the expansion of access to investment resources, which in turn will increase competition among investors. If we want to increase the volume of foreign investment, it is necessary to increase the investment potential of enterprises, regional conditions and conditions to a more acceptable and higher level than others (competitors), as well as to stimulate domestic (national) investment. we need to focus on ensuring that it is holistic.



**Table 2 Foreign investment and loans by regions in January-March 2021 [10] billion sum**

State	The total	including		
		Foreign direct investment	Foreign loans guaranteed by the Republic of Uzbekistan	Other unsecured investments and loans
Uzbekistan Republic	14600,2	3648,9	6006,1	4945,2
Regions	including			
Karakalpakstan Republic	305,2	54,7	176,9	73,6
Andijon	482,1	154,2	69,3	258,6
Bukhara	619,8	284,5	167,6	167,7
Jizzax	1121,4	438,2	19,5	663,7
Qashqadaryo	3852,6	359,5	2895,3	597,8
Navoiy	2082,4	111,4	930,6	1040,4
Namangan	1029,4	114,9	294,9	619,6
Samarqand	348,6	97,5	103,1	148
Surxondaryo	838,6	345,4	98,0	395,2
Sirdaryo	555,1	203,5	300,3	51,3
Toshkent	1004,9	615,2	237,9	151,8
Farg'ona	546,6	322,9	20,3	203,4
Xorazm	195,4	34,3	130,0	31,1
Tashkent city	1618,1	512,7	562,4	543

As of 2023, 3648.9 billion soums will be invested in foreign direct investment. Foreign loans under the guarantee of the Republic of Uzbekistan amounted to 6006.1 billion soums. soums, 4945.2 bln. soums were used at the expense of other foreign investments and unsecured foreign loans. The growth rate of foreign investment in fixed assets and loans compared to the same period last year was 117.9%. World experience shows that the country that has pursued an active investment policy has achieved sustainable growth of its economy. In the words of the President of the Republic of Uzbekistan Sh.M.Mirziyoyev, it is no exaggeration to say that investment is the driver of the economy, in Uzbek, the heart of the economy.

Foreign investment is one of the key factors in ensuring economic growth and economic development. One of the main goals of any country is to attract foreign investment. The role of foreign investment in achieving sustainable economic growth, structural reforms in the economy and improving the living standards of the population is significant. Focusing foreign investment on priority sectors of the economy and clearly defining their effectiveness, attracting science-based investment decisions, taking into account all the conditions of foreign financial



resources on the basis of rational regulation of investment activities will determine the future of the national economy. Finding the necessary foreign investment for all sectors of the economy has become a prerequisite for economic growth. It is important that these criteria are taken into account at the current stage of reform and development of the national economy of Uzbekistan. Its main tasks are to increase the role of export potential in ensuring sustainable economic growth, increase the contribution of small business and private entrepreneurship, deepen the liberalization process and increase the effectiveness of state support for priority sectors of the economy. Therefore, without attracting foreign investment, especially without expanding the participation of foreign investment in key sectors, it is impossible to carry out structural changes and modernization of the economy, re-equip enterprises with modern equipment and launch the production of competitive products. Attracting foreign investment in the economy of our country is important in accelerating the expansion of its economic potential, ensuring the economic power of the state through the use of domestic potential and reserves in all areas, the development of new equipment and technology, export-oriented goods, their production earns.

## **5. Conclusions and Suggestions**

In conclusion, it should be noted that in recent years, investment activities in developed countries are aimed at large-scale automation, resource restructuring, new modern technologies, as well as structural restructuring of the economy based on a new management system based on increasing the role and responsibility of local government. Local governments have a key role to play in the management of investment programs, environmental policy and regional planning. As mentioned above, it is expedient to increase the independence and role of local authorities in the investment activities of the Republic of Uzbekistan and to expand the development and implementation of local programs to encourage private investment. Also, the issuance of municipal and corporate bonds as a source of investment in the regions and the establishment of incentives for income from them can lead to an increase in investment flows. Summarizing the above analysis and comments, it should be noted that in the



context of intensifying modernization processes, the medium and long-term investment strategy of enterprises to accelerate the flow of investment into the country, resulting in the organization of innovative production and job creation. It will also pave the way for a significant increase in the country's export potential. Another important aspect of foreign investment is that it has a positive impact on the further development of the international integration processes of the recipient countries. This is a stepping stone for businesses to enter the global investment arsenal with competitive products.

An important aspect of the investment policy of any developing country is, first of all, its inclusion in the list of recipient countries. In addition to directing investment, raising capital by improving the investment capacity of large types of enterprises with market profitability is beneficial for both the investor and the recipient.

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