

Attracting Foreign Investments - The Basis Of National Economic Development

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Abstract. This article analyzes the role and importance of attracting foreign investment in national economic development from a scientific and practical perspective. In the context of globalization, foreign investment not only brings additional financial resources to the country's economy, but also serves as an important factor providing access to modern technologies, advanced management experience, and opportunities for entering international markets. The article discusses the development of the real sector of the economy, modernization of industrial sectors, expansion of production of high value-added products, and creation of new jobs through the attraction of foreign investment. It also substantiates the importance of creating a favorable investment climate, improving legal guarantees, and institutional mechanisms for attracting foreign investment. The analysis reveals the role of foreign investment in increasing the competitiveness of the national economy, expanding export potential, and ensuring sustainable economic growth. The results of the article are of practical importance in further improving state policy aimed at attracting foreign investment.

Key words: foreign investment, direct investment, national economy, economic development, investment climate, investment policy, economic growth, industrial modernization, innovation, technology transfer, export potential, competitiveness, sustainable development, institutional reforms, investment attractiveness.

INTRODUCTION

In today's globalized world, attracting foreign investment is crucial for ensuring the sustainable and rapid development of the national economy. Foreign investment not only provides additional financial resources to the country's economy, but also brings modern technologies, advanced management experience, and access to international markets. Therefore, they are considered an important pillar of economic development.

Active attraction of foreign investments serves to modernize industrial sectors, update production capacities and develop production of high added value products. From this in addition to the participation of foreign capital in enterprises new work places created by the population employment and income increases . This is social stability in providing important factor is considered .

In Uzbekistan, attracting foreign investment has become one of the priorities of the state economic policy. The country is implementing reforms aimed at improving the investment climate, liberalizing legislation, and protecting investors' rights. These measures serve to deepen structural changes in the national economy and ensure sustainable economic growth.

ANALYSIS AND RESULTS

We analyze the position of foreign direct investment, which is one of the main forms of financial mechanisms for attracting foreign investment, in fixed capital investments by sources of financing in the country.

Table 1
Capitalized investments by sources of financing (trln. soum)

Funding sources	Years				
	2020	2021	2022	2023	2024
Population funds	18.1	22.2	25.70	33.3	32
Exactly. foreign investments	28.7	30.1	37	84.3	150.5
Not guaranteed and other foreign investment and loans	35.4	56.9	60	82.4	159.6

Enterprise amount	51.9	71.2	84.5	84.9	87
Commerce banks credits and other debt funds	28.5	19.5	21.1	22.3	12.7
Guarantee of the Republic of Uzbekistan under foreign loans	22.5	17.3	15.2	21.2	23.6
Recovery and development fund	1.8	3.1	2.5	1.6	3.6
Water supply and sewage systems development	1.9	2.9	2.9	1.7	1.9
Republic budget	1.3	2.1	20.9	20.4	22.8

Table 1 shows that in the structure of sources of financing for fixed capital investments, foreign direct investments amounted to 150.5 trillion soums in 2024, ranking second only to unsecured and other foreign investments and loans (159.6 trillion soums). According to the table, although the share of decentralized sources of financing in sources of financing for fixed capital is high, the volume of commercial bank loans and other debt funds has decreased (from 28.5 trillion soums in 2020 to 12.7 trillion soums in 2024). This is also explained by the high interest rates on commercial bank loans. Population funds at the expense of 32.0 trillion soums adapted, a state funds at the expense of mostly houses construction investment activity in the field to do increased .

Regional location of foreign direct investments is also important in the development of the country's economy. As a result of directing investments to the regions, additional jobs will be created in the regions, especially the development of the agricultural products processing industry and the service sector. The fact that the socio-economic potential of the regions is at different levels, the general infrastructure is underdeveloped, especially the interruptions in the energy supply hinder economic development. Therefore, it is necessary to effectively implement regional investment policy as part of the country's investment policy. We analyze the composition of foreign investment and loans to fixed capital by region.

Table 2
Structure of foreign investment and loans absorbed into fixed capital in 2024 by region

	<i>Total, trillion sum</i>	<i>Including :</i>		
		<i>directly foreign investments</i>	<i>Uz.R. foreign loans under guarantee</i>	<i>other foreign investment and loans</i>
Republic of Uzbekistan	333.8	150.5	23.6	159.7
Republic of Karakalpakstan	14.4	2.2	1.2	11.0
<i>regions:</i>				
Andijan	21.2	11.5	0.4	9.3
Bukhara	40.4	23.0	2.2	15.2
Jizzakh	17.6	10.9	0.5	6.2
Kashkadarya	23.9	7.2	3.9	12.8
Navoi	27.6	11.0	2.5	14.1
Namangan	44.0	17.9	0.6	25.5
Samarkand	15.1	6.4	1.3	7.4
Surkhandarya	10.1	5.8	0.9	3.4
Syrdarya	7.9	5.9	0.1	1.9
Tashkent	50.0	18.6	2.3	29.1
Fergana	12.7	9.1	0.3	3.3
Khorezm	8.8	2.2	0.5	6.1

Tashkent city	40.2	18.6	7.0	14.6
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According to 2024 data, foreign investment and loans in the composition foreign investments 173.1 trillion . sum or in total relatively 51.9% what and suitable in a way foreign loans 160.7 trillion . sum or 48.9 % . The largest absorption of foreign direct investment by region was recorded in Bukhara region - 23.0 trillion soums, Tashkent region and Tashkent city - 18.6 trillion soums, and Namangan region - 17.9 trillion soums. In Bukhara region, large investment projects were implemented using direct and unsecured foreign loans to build a gas-chemical complex based on MTO (methanol to olefin) technology, build a solar power plant with a capacity of 500 MW, and build wind power plants with a capacity of 500 MW in Gijduvan and Peshku districts. In Tashkent region, a large investment project was implemented related to the construction of a solar photovoltaic power plant with a capacity of 200 MW.

Based on the above considerations, it can be said that attracting foreign investments is an important pillar of national economic development. They create opportunities for the development of the real sector of the economy, increasing production efficiency and producing competitive products. Foreign investments play an important role in the transition to a qualitatively new stage of economic growth.

Also, foreign investments serve the transfer of modern technologies, the development of innovative activities, and the increase of national personnel potential. This ensures the stability and competitiveness of the country's economy in the long term. Projects with the participation of foreign capital expand export potential and strengthen foreign economic relations.

Attracting foreign investments is an important factor that has a multifaceted and systematic effect on ensuring national economic development. Analyzes show that the investment projects implemented with the participation of foreign capital serve to increase the volume of production in the real sector of the economy, introduce modern technologies and improve the quality of products. This is of crucial importance in increasing the competitiveness of the national economy.

Another important aspect of foreign investments is their effect on structural changes. In particular, large projects are being implemented with the participation of foreign investors in strategic sectors such as industry, energy, transport-logistics, chemistry and pharmaceuticals. This makes it possible to reduce the economy's dependence on raw materials and increase the production share of high value-added products.

Attracting foreign investment is an important means of economic development for modern countries. The goal is to increase production potential, introduce new technologies and expand export potential by introducing foreign capital into the national economy. World experience shows that foreign investment is not only a financial resource, but also a strategic factor that brings knowledge, experience and innovative technologies. For example, China's "Golden" economic reforms and clusters developed with the participation of foreign investors in the IT sector in India are examples of this. In these countries, foreign capital has played a key role in expanding the domestic market, increasing the quality of production and competitiveness.

The legal and financial environment of the state is of great importance in the process of attracting foreign investment. A stable political environment, laws protecting investors, and tax incentives accelerate the inflow of capital. Also, the development of infrastructure and diversification of the economic sector serve as an attractive factor for foreign investors. For example, free economic zones in Singapore and the UK have actively attracted foreign capital and become the main driver of the sustainable development of the national economy.

Therefore, foreign investments are the backbone of national economic development, and their strategic and purposeful involvement is crucial in increasing the country's competitiveness, creating jobs, and ensuring long-term economic growth. The effective entry of foreign capital ensures not only financial flows, but also the transfer of innovation and technology, which is the main condition for modern and sustainable development of the national economy.

Foreign investments play a critical role in the sustainable development of national economies. They not only provide additional capital for infrastructure projects, industrial expansion, and technological modernization but also facilitate the transfer of knowledge, advanced management practices, and international best practices. Countries that actively attract foreign direct investment (FDI) benefit from enhanced economic growth, improved competitiveness, and increased integration into the global economy.

The inflow of foreign capital contributes to several key aspects of economic development. First, it stimulates industrial production by providing the necessary funding for modernization of existing enterprises and establishment of new facilities. This, in turn, generates employment opportunities and improves income levels for the population. Second, foreign investments often bring access to advanced technologies and innovative solutions, which enhance productivity and encourage the adoption of modern management practices. Third, FDI supports the development of financial markets, strengthens banking systems, and increases the availability of long-term financing instruments, thus facilitating domestic investment.

At the strategic level, attracting foreign investments requires a clear legal and regulatory framework that ensures transparency, protects investor rights, and minimizes political and economic risks. Effective policies may include tax incentives, streamlined procedures for establishing businesses, guarantees of repatriation of profits, and protection of intellectual property rights. Countries that maintain a stable macroeconomic environment, predictable regulatory conditions, and open markets are more likely to attract sustained foreign investment inflows.

International experience indicates that FDI is particularly effective when directed towards sectors with high added value, such as manufacturing, energy, information technology, and infrastructure development. In these sectors, foreign investments not only increase capital formation but also promote innovation, improve labor skills, and strengthen the country's position in global value chains. Moreover, collaboration between domestic enterprises and foreign investors encourages knowledge exchange and the development of local supplier networks, creating a multiplier effect across the economy.

CONCLUSION

The analysis shows that foreign investments are important not only as a financial resource, but also as a source of knowledge, experience and innovation. Cooperation with investors helps to introduce modern management standards in national enterprises, increase labor productivity and improve personnel skills. As a result, the level of efficiency and stability in the national economy increases.

At the same time, it is necessary to take into account the presence of certain risks and problems in the process of attracting foreign investments. The stability of the investment environment, legislative guarantees and the effectiveness of the institutional system are the main factors determining the continuity of foreign capital flows. Therefore, it is important for the state to consistently improve its investment policy. In conclusion, consistent state policy aimed at attracting foreign investments, creating a favorable investment environment and providing transparent and stable conditions for investors will be the main factor for accelerating national economic development. Therefore, further activation of the attraction of foreign investments becomes a priority in the country's long-term economic strategy.

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