

Theoretical Fundamentals of Improving the Investment Environment Attractive in Reducing Investment Risks

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Annotation. This article examines the essence of the attractiveness of the investment climate, the classical financial mechanisms for reducing investment risks, the views of foreign economists, the factors necessary to attract foreign investment and formulate scientific conclusions and recommendations to increase investment attractiveness.

Keywords: investment risks, classical financial mechanism, investment attractiveness, foreign investment, investment potential, investment policy, investment climate, trends, dividends.

1. Introduction.

The analysis of the socio-economic changes taking place in our country shows that the modernization of the economy and the role of active investment policy are very important in the achievements and successes. Accordingly, it is important to create an effective system for managing the socio-economic development of the regions of the republic, to study the theoretical and methodological basis for assessing the attractiveness and potential of their investment climate. In this regard, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved by Presidential Decree on February 7, 2017. According to him, the third priority is the further development and liberalization of the economy, which aims to actively attract foreign investment in sectors and regions of the economy by improving the investment climate [1].

In our view, although there are a variety of factors that can affect investment attractiveness, there are currently three major segments in Uzbekistan: social, economic and political.

In today's globalization and technological armament, the role of investment flows as a combination of economic development is becoming increasingly important.

2. Literature review.

Considering the factors influencing the formation of a favorable investment climate in the country/region, it should be noted that it is important for the country to be integrated in the world community in terms of investment attractiveness. The strategy of increasing the country's investment prestige is important for attracting foreign direct investment [2].

Interpretation of "investment potential" as a set of investment resources, consisting of part of the accumulated capital, expressed in the form of investment demand in the investment market, which has the potential to become a real investment demand that meets the material, financial and intellectual needs of capital reproduction reaches [3].

The attractiveness of the investment climate, the economic development of each region depends on the potential of capital and labor resources, the level of their use. It is generally accepted that the economic potential of a region and its potential is determined by the production of vital goods through the efficient use of all the complex resources available there [4].

If the tendency of accumulation within the country is greater than investment, then the exports in this country will exceed the volume of imports. Otherwise, the country's exports will be less than its imports. The country, which consumes more than it can afford, seeks to outsource its exports at the expense of foreign investment. In this case, the attracted investments take the form of loans [5].

Defining a normative ratio between dividends and reinvestment in a country's dividend policy, protecting the rights of minority shareholders, increasing stock market prices, and expanding business activities can increase a company's investment attractiveness, which has a positive effect on the country's investment attractiveness [6].

Regardless of the field in which joint-stock companies operate in the country, one of the important tasks is to place additional financial resources, including attracting foreign investment. One of the most modern ways to attract investment in joint stock companies is to use the IPO mechanism [7].

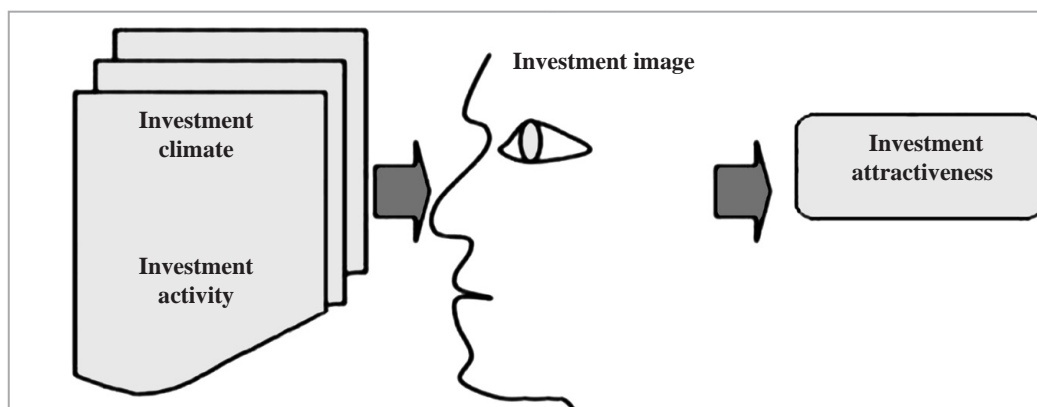
3. Research methodology.

Economic research methods such as data collection, analysis, synthesis, and logical thinking have been widely used to enhance the country's investment attractiveness.

4. Analysis and discussion of results.

In general, the investment potential and investment attractiveness of a region determine its investment climate. In turn, risks are an indicator of investment attractiveness.

An investment climate is a set of economic, social, political, legal, environmental, organizational, cultural and other conditions created for the effective functioning of investments in the country's economy or in one of its regions. The state of the investment climate depends on the legal framework and its structure, which must be observed. Uzbekistan's current position in the world, its geographical location, the composition and reserves of natural resources also play a key role in creating a favorable investment climate. In this case, the investment climate is determined by the factors that encourage investment in the country and the assessment of investment risks. Investment risk is an increase (decrease) or complete loss of return on investment made to implement an investment project.



**Figure 1. “Investment attractiveness”, “investment climate”,
The mechanism of interdependence of the concepts of “investment activity” and “investment image”
[8]**

As mentioned above, investment attractiveness is an economic category, which is reflected in the impact on investment activity through objective and subjective data. In the picture presented, a schematic look at the concepts we have highlighted has been taken.

In our view, an investment risk is assessed and identified through a comprehensive, in-depth analysis of the investment climate. The investment climate and risk levels are inversely related. The more favorable the investment climate, the lower the entrepreneurial risk of the investor, and this will stimulate the influx of investors. Conversely, if the investment environment is unfavorable, the risk level will be high. This leads to an increase in costs for the recipient of the investment. The state of the investment climate is important for the investor.

Economist T.M. Smaglyukova distinguishes from all indicators of investment attractiveness the indicators that meet the requirements of complex assessment. According to him, these indicators are included in the factors of investment attractiveness, which reflect all aspects of the investment process. The

sum of formed indicators covers external and internal factors of activity of regions as economic system and objects of investment.

T.M. Smaglyukova includes the following in the group of factors determining the investment attractiveness of the regions (Table 1):

Table 1
Investment climate and its factors [9]

• political;	• innovation;
• social;	• production;
• economic;	• labor;
• ecological;	• finance;
• infrastructure;	• investment;
• legal and criminal;	• raw material resource.

We know that financial reforms are being carried out in our country to further improve the investment climate, and it should be noted that in assessing the country’s investment climate, investors are interested in domestic production, the presence of small industrial zones and the high level of export potential. Therefore, the following figure analyzes the export potential of the Republic of Uzbekistan, which affects the investment climate (Figure 2).

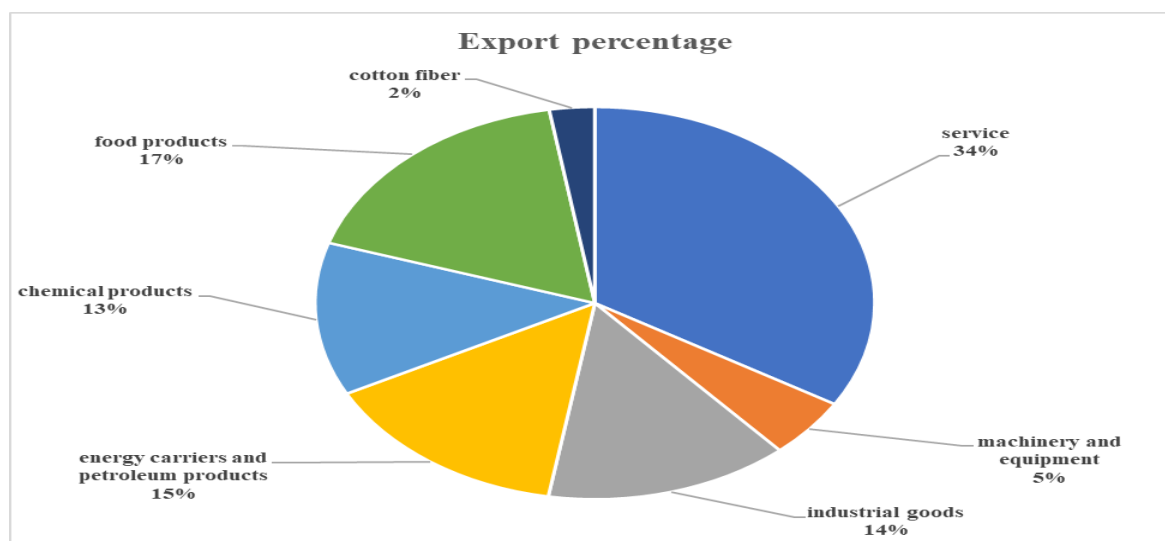


Figure 2. Export indicators of the Republic of Uzbekistan as of 2021[10]

Most of the products exported from the country are: precious and semi-precious metals and stones - 1.04 billion. dollars (39.6%); services - 464.2 (17.6%); energy carriers and oil products - 253.6 mln. dollars (9.6%); textile products - 368.6 million. dollars (14%); food products - 100.6 million dollars (3.8%); non-ferrous metals and their products - 117.7 million dollars. (4.5%); chemicals and chemical products - \$ 55.5 million (2.1%); ferrous metals and their products - 349.6 million dollars. (2%).

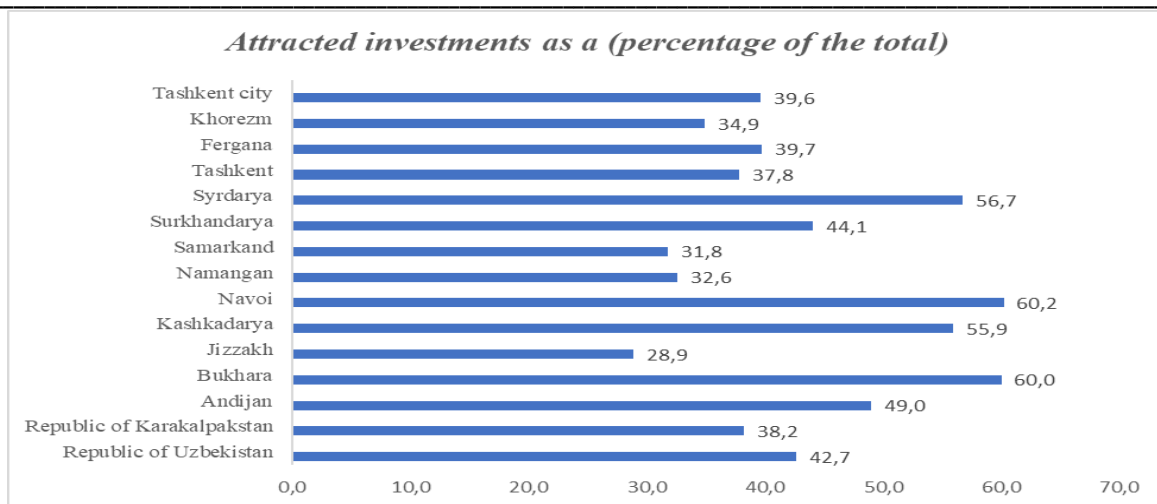


Figure 3. Structure of investments in fixed assets by sources of financing (foreign investments and credits - 2021) [11]

As can be seen in the figure above, Navoi region ranks first in terms of effective attraction of foreign investment with 60.2%, while Jizzakh region has the lowest share with 28.9%. From the point of view of regional investment attractiveness, the infrastructure of the region, manufacturing industry, export potential and the availability of free economic zones play a positive role in attracting investment.

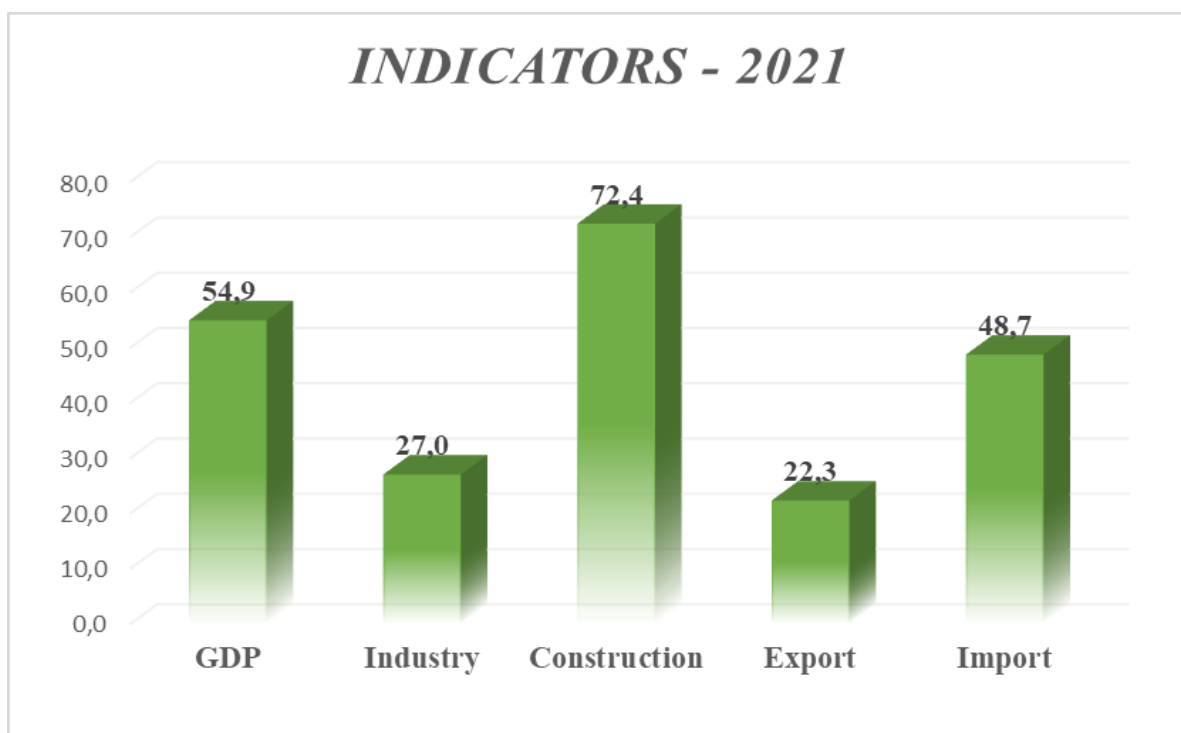


Figure 4. The share of small business and private entrepreneurship in the Republic of Uzbekistan as of 2021 [12]

The role of small business and private entrepreneurship in increasing the investment attractiveness of the country is also unique, the picture above shows the contribution of small businesses in the sector, as well as in GDP and export-import processes. In addition, medium and large businesses also contribute to increasing the attractiveness of the investment climate. In the Republic of Uzbekistan, there are a number of problems with territorial attractiveness, for example, the country's imports are much higher than exports, which in itself leads to a deficit in the country's balance of payments.

Reducing the country's investment risk will result in an inflow of investment into the country, which in turn will create a number of benefits. They ensure the continuity of reproduction, accelerate the country's integration into the world economy, keep abreast of scientific and technological advances, increase the competitiveness of production in the country, develop real sectors and industries, serve the country's defense capabilities, provide the necessary raw material base for industry, creates, increases the welfare of the population, helps to alleviate the problem of unemployment to a certain extent.

5. Conclusions and suggestions.

Summarizing the above analysis and considerations, it should be noted that in the context of intensifying modernization processes, the state's medium and long-term investment strategy should focus on the following tasks:

1. Develop models for the efficient use and optimal proportion of economic resources based on the law of efficient and limited reduction of capital resources in the increase of regional wealth;
2. Develop and implement comprehensive programs to ensure the smooth and sustainable development of the regions and their smooth and uninterrupted development;
3. Creating a favorable business environment based on high technology and creating high value-added joint projects;
4. In order to maintain high and stable rates of economic growth, it is necessary to create a stable and competitive model of the country's economy in which most of the assets of the banking system are in the hands of private investors;
5. Investment activities should be encouraged through the development of public-private partnerships and project financing instruments to increase investment attractiveness and ensure the rapid growth of infrastructure investment, which is one of the key factors for sustainable economic growth;
6. Optimize the relationship between investors and the government to completely eliminate bureaucratic barriers and restrictions in the implementation of investment projects through digitalization and remote provision of public services.

Based on the above scientific suggestions and recommendations, their in-depth study, analysis and substantiation will yield results in the near future. It will also have a positive effect on increasing the country's investment attractiveness by creating a favorable investment climate in the country.

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