



THE ROLE OF FOREIGN INVESTMENTS IN THE DEVELOPMENT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP

Suyunov Dilmurod Kholmuradovich¹, Rihsiev Haitkhodja Yuldashevich²

¹Head of the Department of Theory and Practice of Corporate Governance, Graduate School of Business and Entrepreneurship under the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan, Doctor of Economic Sciences, Professor

²Researcher of the Graduate School of Business and Entrepreneurship under the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan, specialty "Business Management"

ABSTRACT

The scientific article considers the analysis of attracting foreign investment and their effectiveness in the development of small business and private entrepreneurship in the Republic of Uzbekistan. At the same time, the normative documents of the Republic of Uzbekistan on small business and private entrepreneurship and foreign investment, as well as the information contained in the latest works of the President of the country are reflected.

KEYWORDS: *small business and private entrepreneurship, analysis, investment, credit, foreign investment, foreign direct investment.*

INTRODUCTION

In the address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the deputies of the Oliy Majlis on December 28, 2018, special emphasis was placed on this issue. In particular, it was noted that according to the results of cooperation with the World Bank, the European Bank for Reconstruction and Development, the Islamic and Asian Development Bank and other international financial institutions last year, the volume of investments in our country amounted to \$ 8.5 billion, it was also noted that 456 projects worth \$ 23 billion are being implemented at the expense of foreign investments. Emphasizing these indicators, the President said that large-scale investments will be a factor in strengthening the economy of our country, saying: "World experience shows that whichever country pursues an active investment policy has achieved sustainable growth of its economy. That is why investment is the driver of the economy, in Uzbek, the heart of the economy"¹.

In his recent works, the President of our country said: "The following tasks in the development of entrepreneurship should be in the center of our attention:

- Ensuring that Uzbekistan is among the top 50 countries in the world in terms of doing business, global competitiveness, innovation, industrial competitiveness indices;
- Ensuring long-term business opportunities, taking into account the fact that today there are thousands of laws regulating the business sector, as well as the development of a single "Entrepreneurship Code" to further improve and liberalize the legislation in the field of entrepreneurship;
- Consistent implementation of the idea of "Every family is an entrepreneur", the formation of an active entrepreneurial culture in society, entrepreneurship classes in schools and universities, the organization of clubs, including the Academy of Entrepreneurs, and consulting for young people interested in the field. organization of centers;
- Comprehensive development of infrastructure for the development of entrepreneurship in the regions, the definition of future development strategies, for this purpose, the adoption of optimal management decisions;

¹ Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis on the most important priorities for 2019.// People's speech, December 29, 2018.



- Continuation of the policy of expanding the financing of small businesses and private entrepreneurship by commercial banks, leasing companies and other financial institutions, simplifying the procedures for issuing bank loans related to the registration of collateral;
- Further simplification of export-import procedures, expansion of public procurement of products produced by small businesses and private entrepreneurship;
- Integration of small business into the international community, increase and diversify export potential, reform the marketing system, improve innovation and strategic management, export products to foreign markets, actively promote national brands abroad;
- venture funds and funds, "business angels" - the activities of private investors who spend financial and other resources on innovative projects, creating conditions for "startups";
- Encouragement of research and innovation activities of enterprises at their own expense through tax incentives².

LITERATURE REVIEW

“The crisis caused by the coronavirus pandemic has led to a dramatic decline in foreign direct investment. According to data and analysis of the Organization for Economic Cooperation and Development, the volume of foreign direct investment worldwide is expected to decrease by 40% in 2020 compared to 2019, and their value will reach \$ 1.54 trillion³. An important positive result of attracting foreign direct investment to the economy of the recipient country is the attraction of more advanced production and management technologies.

PhD in economic sciences K.Khoshimov in his scientific works states that “Foreign investment is considered by foreign owners as all property, financial, intellectual assets that direct a certain amount of capital from one economy to another for a certain period of time in order to achieve their interests, relatively high efficiency, taking into account the obvious and uncertain risks of various sectors of the economy⁴”.

The Russian scientist Kadochnikov describes in his scientific articles that “Foreign direct investment is a type of investment that provides investor control over the business operations of a company in the importing country and provides direct control over the management or other assets of the recipient company⁵”.

In his study, Dunning, the founder of the eclectic paradigm, argued that "the recipient must direct its resources to gain market share in the country through the geographical location of production in the country, low prices of factors of production, and bypassing trade barriers"⁶.

Russian scientist Bolaev argues that the lack of specialists capable of introducing or adopting technologies used by investors in foreign direct investment is likely to negatively affect the development of local competing companies of enterprises with foreign investment, and lead to the withdrawal of local producers.

ANALYSIS AND RESULTS

In today's context of economic modernization, the role of investment cooperation between countries in international economic relations is growing. Attracting and effective use of foreign investment plays an important role in ensuring sustainable economic growth in the world.

“In order to increase the competitiveness of the economy of Uzbekistan on the basis of modernization and diversification, attracting foreign investment has been selected as a priority. Therefore, in the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021: "... to expand relations with leading international and foreign financial institutions, to continue the implementation of a well-thought-out foreign debt policy, effective use of attracted foreign investment and loans" has been identified as a priority⁷.

² Mirziyoyev Sh.M. New Uzbekistan strategy. - Tashkent: “Uzbekistan” publishing house, 2021. 464 pages.

³ UNCTAD’s World Investment Report 2020

⁴ Хошимов Қ.В. Чет инвестициялари иштирокидаги корхоналарни солиққа тортиш ва уни такомлаштириш йўллари. Иқт. фан. док. илм. дар. олиш учун ёз. дисс. автор. Т.: БМА, 2004. – Б. 7.

⁵ Dunning J. H. The Eclectic (OLI) Paradigm of International Production: Past, Present and Future // International Journal of the Economics of Business. 2001. Vol. 8. № 2. P. 174.

⁶ Болаев А.В. Привлечение прямых иностранных инвестиций как фактор внедрения зарубежных технологий в стране-реципиенте в условиях экономической глобализации (рус.) // Управление экономическими системами: электронный научный журнал : Журнал. — 2014. — Апрель (№ 64). — ISSN 1999-4516.

⁷ Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis.-Т :, 25.01.2020.



The level of economic development of any country is directly related to the scale and pace of investment activity in that country. "In 2014-2018, the volume of foreign direct investment increased to 20 times in India, 15 times in Turkey, 8.9 times in Vietnam, 8.2 times in Kamoja, 7.2 times in Myanmar and 6 times in Panama. In turn, as a result of the high economic efficiency of foreign investment, the average economic growth rate in these countries during the period was high, reaching 6.5-10.5%"⁸.

"As noted in the Address of the President of the Republic of Uzbekistan Sh. Mirziyoyev to the Oliy Majlis on January 25, 2020, significant results have been achieved in 2019 - the "Year of Active Investment and Social Development", among the positive results in all areas, the volume of investments also increased significantly, especially foreign direct investment amounted to \$ 4.2 billion, an increase of \$ 3.1 billion or 3.7 times compared to 2018, the share of investment in GDP reached 37%. In particular, 140 production facilities worth \$ 3.2 billion are planned to be commissioned under this year's Investment Program. In particular, \$ 4.2 billion is expected to be disbursed this year under 320 projects with foreign direct investment, as a result, 142 modern enterprises will be launched, it also stressed that the unconditional implementation of projects with foreign direct investment, the full support of foreign investors should be the most important task of the government, and put an end to the practice of pushing the development of the bulk of investments in the last months of the year, it is necessary to increase this to at least 35% in the first half of the year and 70% in the first nine months in all sectors and regions."⁹.

Table 1

Aggregate target forecast indicators for the development of centralized and decentralized investments in 2022 - 2026 (billion soums)¹⁰

| # | Sources of funding | A total of 2022 - 2026 | of which: | | | | |
|-----------|---|------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | | 2022 | 2023 | 2024 | 2025 | 2026 |
| | Total capital investment | 2 025 200 | 298 772 | 346 848 | 400 318 | 457 659 | 521 603 |
| | <i>including::</i> | | | | | | |
| 1. | Centralized investments: | 344 309 | 50 767 | 61 480 | 72 378 | 76 106 | 83 579 |
| 1.1. | Budget funds | 136 669 | 23 790 | 25 017 | 28 074 | 29 400 | 30 388 |
| 1.2. | Funds of the Fund for Reconstruction and Development of the Republic of Uzbekistan (in soums) | 17 614 | 1 613,2 | 3 100 | 3 450 | 4 514 | 4 937 |
| | <i>in million US dollars</i> | <i>1 352</i> | <i>142*</i> | <i>258</i> | <i>271</i> | <i>335</i> | <i>345</i> |
| 1.3. | Foreign loans guaranteed by the Republic of Uzbekistan (in soums) | 190 027 | 25 363 | 33 364 | 40 854 | 42 192 | 48 255 |
| | <i>in million US dollars</i> | <i>14 738</i> | <i>2 240</i> | <i>2 780</i> | <i>3 212</i> | <i>3 129</i> | <i>3 376</i> |
| 2. | Decentralized investments: | 1 680 891 | 248 006 | 285 368 | 327 940 | 381 553 | 438 024 |
| 2.1. | Enterprise funds, including taxes at the disposal of enterprises | 478 234 | 69 433 | 76 926 | 92 465 | 110 384 | 129 026 |
| 2.2. | Loans and other borrowings from commercial banks | 338 864 | 49 606 | 53 696 | 64 861 | 79 242 | 91 458 |
| 2.3. | Foreign direct investment and loans (in soums) | 714 278 | 107 621 | 130 186 | 141 024 | 157 094 | 178 353 |
| | <i>in million US dollars</i> | <i>55 572</i> | <i>9 506</i> | <i>10 849</i> | <i>11 087</i> | <i>11 651</i> | <i>12 479</i> |
| 2.4. | Population funds | 149 515 | 21 346 | 24 560 | 29 590 | 34 833 | 39 187 |

* In addition, \$ 300 million from the Fund for Reconstruction and Development will be directed to the charter fund of JSC "Almalyk MMC" to finance projects.

Note. It can be defined and updated on the basis of resolutions of the President of the Republic of Uzbekistan and the Cabinet of Ministers, as well as on the basis of annual approved concepts of development of industries and regions.

"In order to increase the efficiency of attracting foreign direct investment in the economy, to inform foreign investors about the opportunities and potential of the country, to improve the coordination of state and

⁸ <https://www.stat.uz/uz/> - Website of the State Statistics Committee of the Republic of Uzbekistan.

⁹ Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis.-T ;, 25.01.2020.

¹⁰ Resolution of the President of the Republic of Uzbekistan No. PP-72 of December 30, 2021 "On approval of the investment program of the Republic of Uzbekistan for 2022-2026 and the introduction of new approaches and mechanisms for managing investment projects"



economic administration, local executive authorities in attracting and developing foreign investment, as well as to implement the tasks set out in the State Program for the implementation of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the "Year of Active Investment and Social Development": The Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, the Ministry of Economy and Industry, the Ministry of Finance and the State Assets Management Agency approved the proposal to intensify efforts to attract foreign direct investment and aimed to address the following priorities. That is: sale of state-owned shares (stakes) in the charter capital of chemical and oil and gas industries, business entities in the field of machinery, banking and insurance organizations; development of ready-made investment proposals to attract foreign direct investment; extensive use of investment and business forums, presentations, road shows and marketing campaigns; establishment of priorities for the implementation of public-private partnership projects"¹¹.

In accordance with the Resolution of the President of the Republic of Uzbekistan No. PP-72 of December 30, 2021 "On the approval of the investment program of the republic of Uzbekistan for 2022 - 2026 and the introduction of new approaches and mechanisms to manage investment projects", the aggregate target indicators for the development of centralized and decentralized investments in 2022-2026 have been set.

It should be noted that today the reforms being carried out in Uzbekistan and their results are recognized by the world's leading international rating agencies. For example, the world's leading rating agencies Fitch Ratings and Standard & Poor's have for the first time set an international sovereign credit rating for our country. These ratings have a "stable" outlook, which means that in the next 12-18 months, this figure is unlikely to decline. It should be noted that such ratings obtained by Uzbekistan are higher than in many developing countries. These rating agencies pay special attention to such factors as the liberalization of monetary, trade and price policies in Uzbekistan, institutional changes in public administration, the country's gold and foreign exchange reserves, and the lack of public debt. In the first quarter of next year, for the first time in the history of our country, sovereign government bonds of Uzbekistan will be issued in international financial markets. In this regard, cooperation is being established with leading international investment banks such as J.P. Morgan, Citibank, Deutsche Bank"¹².

By attracting foreign direct investment, "new technologies are being introduced, new types of goods and services are emerging, which will further improve the quality of goods and services, ultimately improve the quality of life of the population, create competition in the national economy"¹³.

In the Republic of Uzbekistan, special attention is paid to the development of other sectors of the economy through the development of mining and energy. Extensive conditions are being created for foreign investors to attract investment in these areas, led by the state itself. As a result, under the guarantee of the Republic of Uzbekistan, foreign loans are significantly attracted and effectively used.

Table 2
Foreign investment and loans in fixed assets

| № | Regions | Total, billion soums | Including (billion soums): | | |
|-------------------------------|--------------------------------|----------------------|----------------------------|--|-------------------------------------|
| | | | Foreign direct investment | Foreign loans guaranteed by the Republic of Uzbekistan | Other foreign investments and loans |
| Republic of Uzbekistan | | 104457,3 | 30149,2 | 17318,2 | 56989,9 |
| 1. | The Republic of Karakalpakstan | 3010,2 | 158,2 | 1210,6 | 1641,4 |
| 2. | Andijan | 5953,0 | 1269,7 | 300,5 | 4382,8 |
| 3. | Bukhara | 11401,1 | 1749,0 | 1785,7 | 7866,4 |
| 4. | Jizzakh | 3821,1 | 1547,5 | 344,9 | 1928,7 |
| 5. | Kashkadarya | 9077,7 | 2116,1 | 950,8 | 6010,8 |
| 6. | Navoi | 9819,4 | 2057,6 | 157,3 | 7604,5 |
| 7. | Namangan | 4339,8 | 693,1 | 652,0 | 2994,7 |
| 8. | Samarkand | 5633,6 | 1388,1 | 2058,4 | 2187,1 |
| 9. | Surhandarya | 4992,2 | 2213,1 | 913,3 | 1865,8 |
| 10. | Sirdarya | 4940,6 | 1986,5 | 1148,6 | 1805,5 |

¹¹ Resolution of the President of the Republic of Uzbekistan dated April 29, 2019 No PP-4300 "On measures to further improve the mechanisms for attracting foreign direct investment in the economy of the Republic"

¹² <https://www.stat.uz/uz/> - Website of the State Statistics Committee of the Republic of Uzbekistan.

¹³ Основы формирования системы присвоения и использования рейтингов в Республике Беларусь. <http://elibrary.ru>



| | | | | | |
|-----|---------------|---------|--------|--------|---------|
| 11. | Tashkent | 10515,5 | 6537,1 | 1327,8 | 2650,6 |
| 12. | Ferghana | 5124,6 | 2319,9 | 360,8 | 2443,9 |
| 13. | Khorezm | 2992,9 | 818,5 | 95,5 | 2078,9 |
| 14. | Tashkent city | 22835,6 | 5294,8 | 6012,0 | 11528,8 |

In January-December 2021, foreign investments and loans amounted to 104,457.3 billion soums (\$ 9.8 billion in dollar equivalent) or 105.2% compared to 2020

The share of foreign investment and loans in total fixed capital investments amounted to 42.7%.

In the structure of foreign investments and loans, foreign investments amounted to 39,879.4 billion soums and foreign loans amounted to 64,577.9 billion soums.

During the current period, 87,139.1 billion soums were disbursed due to foreign direct investment and loans, while 17,318.2 billion soums were disbursed under the guarantee of the Republic of Uzbekistan.

Foreign investments and loans in the processing industry amounted to 39,213.1 billion soums, or 37.5% of total investments.

Table 3
In the framework of the Integrated Development Program of Tashkent
Indicators of foreign investment and credit line development in January-December 2021 (million dollars)¹⁴

| № | Name of districts | Forecast | In practice | Completion, % |
|-----|------------------------|---------------|---------------|----------------|
| | Tashkent city | 1645,3 | 1864,7 | 113,3 % |
| 1. | Bektemir district | 78,7 | 107,0 | 136,0 % |
| 2. | Mirzo-Ulugbek district | 131,0 | 139,8 | 106,7 % |
| 3. | Mirabad district | 84,4 | 102,5 | 121,4 % |
| 4. | Olmazor district | 218,1 | 257,8 | 118,2 % |
| 5. | Sergeli district | 90,1 | 95,7 | 106,2 % |
| 6. | Uchtepa district | 57,9 | 76,1 | 131,5 % |
| 7. | Chilonzor district | 96,9 | 104,6 | 107,9 % |
| 8. | Shayhontohur district | 265,7 | 271,0 | 102,0 % |
| 9. | Yunusobod district | 220,1 | 239,3 | 108,7 % |
| 10. | Yakkasaroy district | 72,0 | 83,5 | 116,0 % |
| 11. | Yangihayot district | 125,3 | 133,2 | 106,3 % |
| 12. | Yashnabad district | 205,1 | 254,3 | 124,0 % |

According to Table 3, the program of integrated development of the city of Tashkent in January-December 2021 provides forecast indicators for the development of foreign investment and credit lines, and by the end of the year all districts have exceeded. The highest percentage was in Bektemir district - 136%, Uchtepa district - 131.5%, Yashnabad district - 124% and Mirabad district - 121.4%. The forecast for Tashkent as a whole was \$ 1,645.3 million, which was actually fulfilled for \$ 1,864.7 million, and the level of fulfillment reached 113.3%.

CONCLUSIONS AND RECOMMENDATIONS

Based on the above considerations, the following conclusions can be drawn:

- Along with the active attraction of foreign investment in the national economy, increasing the absorption capacity of the economy, training highly qualified personnel will increase the efficiency of investment;

- The results of the analysis of foreign investment show that foreign direct investment, while being a source of financing for economic development, in the form of indirect effects (spillover effect) helps to attract modern equipment and technology, innovation, know-how and management, sustainable in the country creates the basis for economic development;

- In Uzbekistan, the process of concluding investment agreements, attracting foreign experts, simplifying the regulation of real estate ownership, as well as developing the securities market, expanding the financial market through improving corporate governance will pave the way for improving the mechanism for attracting foreign investment; according to the analysis of the identified problems in the country, the improvement of the regulatory framework, the implementation of deep institutional reforms, increasing the

¹⁴ Developed by the researcher



efficiency of free economic zones, infrastructure development, liberalization of foreign economic activity will increase the efficiency of foreign investment; the study of world experience shows that the centralization and one-sided approach to the activities of free economic zones in our country is preserved, therefore, to expand the powers of the FEZ Directorates to attract investors independently, to include representatives of the private sector in the Administrative Council, to establish specialized banks in them, to simplify the mechanism of obtaining loans, extensive provision of tax incentives not only for industry but also for the development of modern services will contribute to the effective use of investment.

BIBLIOGRAPHY

1. *Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis on the most important priorities for 2019.// People's speech, December 29, 2018.*
2. *Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis.-T :, 25.01.2020.*
3. *Resolution of the President of the Republic of Uzbekistan No. PP-72 of December 30, 2021 "On approval of the investment program of the Republic of Uzbekistan for 2022-2026 and the introduction of new approaches and mechanisms for managing investment projects"*
4. *Resolution of the President of the Republic of Uzbekistan dated April 29, 2019 No PP-4300 "On measures to further improve the mechanisms for attracting foreign direct investment in the economy of the Republic"*
5. *Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis.-T :, 25.01.2020.*
6. *Mirziyoev Sh.M. New Uzbekistan strategy. - Tashkent: "Uzbekistan" publishing house, 2021. 464 p.*
7. *UNCTAD's World Investment Report 2020*
8. *Хошимов Қ.В. Чет инвестициялари шитирокидаги корхоналарни солиққа тортиши ва уни такомлаштириши йўллари. Иқт. фан. док. илм. дар. олиш учун ёз. дисс. автор. Т.: БМА, 2004. – Б. 7.*
9. *Dunning J. H. The Eclectic (OLI) Paradigm of International Production: Past, Present and Future // International Journal of the Economics of Business. 2001. Vol. 8. № 2. P. 174.*
10. *Болаев А.В. Привлечение прямых иностранных инвестиций как фактор внедрения зарубежных технологий в стране-реципиенте в условиях экономической глобализации (рус.) // Управление экономическими системами: электронный научный журнал : Журнал. — 2014. — Апрель (№ 64). — ISSN 1999-4516.*
11. *<https://www.stat.uz/uz/> - Website of the State Statistics Committee of the Republic of Uzbekistan.*
12. *<http://elibrary.ru> - Основы формирования системы присвоения и использования рейтингов в Республике Беларусь.*