



# Issues of Increasing the Efficiency of Investment and Innovation Activities of Enterprises

**Gafurova Umida Fatikhovna**

Senior teacher, Department "Finance-credit", Tashkent institute of Finance, Tashkent city, Uzbekistan.  
E-mail: [Umidag85@gmail.com](mailto:Umidag85@gmail.com)

## ABSTRACT

The article examines the theoretical and methodological basis of the processes associated with the role of foreign investment in ensuring the competitiveness of national enterprises. Cases related to the role of foreign investment in ensuring the competitiveness of national enterprises were assessed. The impact of existing shortcomings and problems on the country's competitiveness has been studied. Scientific proposals and practical recommendations have been developed to improve the processes related to the role of foreign investment in ensuring the competitiveness of national enterprises. It also examines the views of foreign economists on the impact of the investment climate on business.

## Keywords:

Investment Climate, Foreign Investment, Investment Activity, Investment Policy, Investment Project, Competitiveness, Competitive Advantage, Macroeconomic Stability, Business Environment.

## 1. Introduction.

An important condition for ensuring macroeconomic stability in Uzbekistan is the implementation of measures aimed at creating a competitive advantage in the context of globalization. As a result, the demand for foreign investment will increase, which will affect the improvement of the complex system of increasing the competitiveness of the national economy. The role of foreign investment in ensuring a number of priorities, such as diversification of the economy, improving the structural structure of industries, improving the quality of the business environment, serves to improve the organizational and institutional framework for increasing competitiveness in integration relations. In this regard, the President of the Republic of Uzbekistan Sh.M.Mirziyoev in his Address to the Oliy Majlis on December 29, 2020 commented on the complex tasks and

existing opportunities facing the economy of the country: "... is achieved. According to research from Harvard University, our country has all the opportunities and relative advantages in the production of more than 50 industrial products [1]. A number of such cases require a series of measures to improve the existing mechanism for attracting foreign investment to the country's economy and increase its efficiency in ensuring the competitiveness of national enterprises. In turn, the process of ensuring the competitiveness of national enterprises by attracting foreign investment in the country's economy is multifactorial integration. Therefore, a methodological approach to indicators that assess the competitiveness of the national economy is required in this regard.

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 of enterprises, to study the theoretical and methodological basis for assessing the attractiveness of their investment climate and potential.

## **2. Literature review**

Considering the factors influencing the formation of a favorable investment climate in the country/region, it should be noted that the integration of the state into the world community in terms of investment attractiveness is important. The strategy of raising the country's investment profile 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 role of foreign investment in ensuring the competitiveness of national enterprises, the opportunities and conditions for the formation of an effective competitive environment for sectors of the economy have been studied by many economists. In particular, the researches of foreign economists C.Dilek and K.Hakan are of special importance in this regard. According to researchers, foreign investment in innovation in industrial enterprises is an effective mechanism to overcome the problematic processes associated with increasing labor productivity, saving financial, labor and material resources and improving the quality of products and services [4].

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 [5].

M.Oral, U.Cinar, H.Chabchoub research assesses the impact of foreign investment on the process of restructuring and diversification of production in industrial enterprises [6].

Determining the ratio between dividends and reinvestment in a country's dividend policy, protecting the rights of minority shareholders, increasing share prices, and expanding business activities can increase a company's investment attractiveness, which has a positive impact on the country's investment attractiveness [7].

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 [8].

## **3. Research methodology.**

The methods of logical thinking, induction and deduction, systematic analysis, statistical analysis were widely used in the research process. Scientific proposals and practical recommendations for improving the processes related to the role of foreign investment in ensuring the competitiveness of enterprises through the methods of induction and deduction, systematic analysis have been formed.

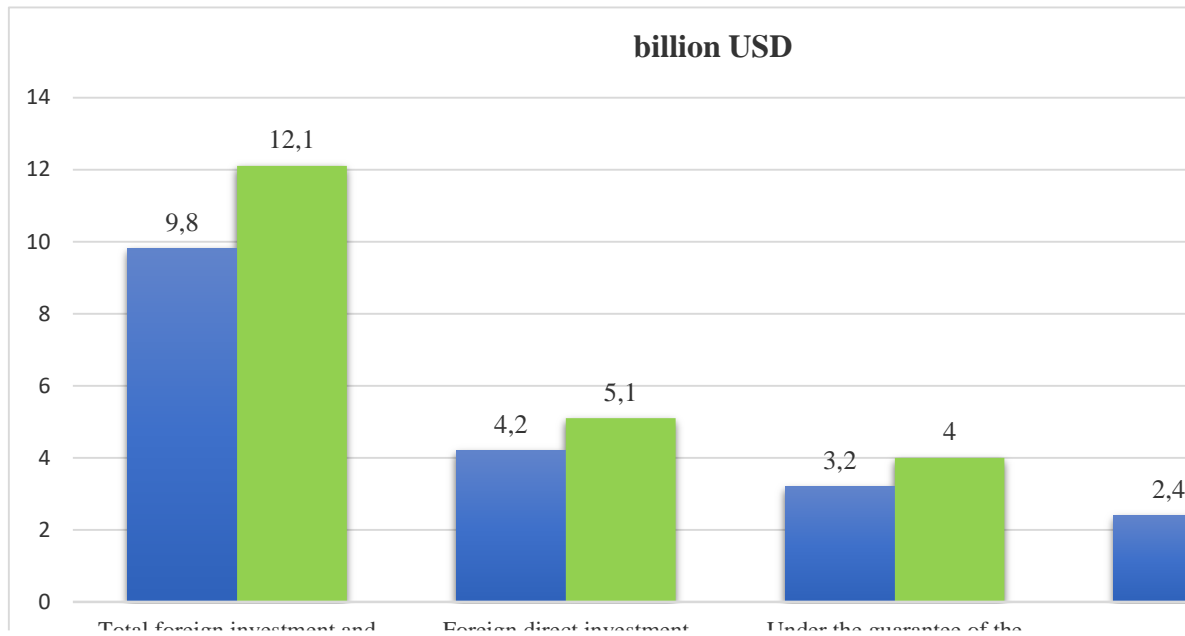
## **4. Analysis and discussion of results.**

Competitiveness at the level of manufacturing enterprises is inextricably linked with factors such as resources, external competition, demand, cross-sectoral relations, and is ensured by these factors in the strategy of increasing the competitiveness of the enterprise. There are methods and tools to increase the competitiveness of the enterprise, such as the introduction of innovative technologies and products in production, the use of innovative management methods, bringing the enterprise to the status of an innovative enterprise, the effective use of which is ensured by investment. In turn, investment activities have a positive impact on

the use of effective methods of cooperation in the production and service processes and the formation of mutual cooperation on a reliable basis.

Due to the high attention paid in recent years to the process of improving investment activity in the country, a stable growth rate of investment has been ensured. According to the

results of 2021, compared to 2020, the volume of gross investment per capita increased by an additional 1.8%. In January-March 2021, the rate of decline in investment activity was maintained, with an additional 92.8% of fixed capital investment compared to the corresponding period of 2020 (Figure 1).

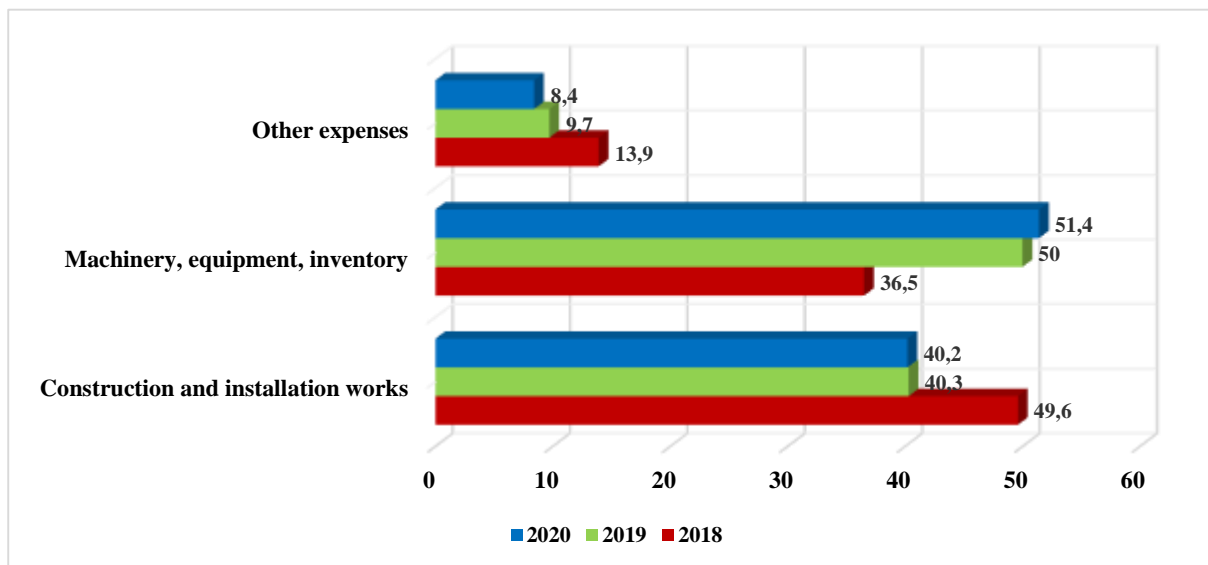


**Figure 1. Development of foreign investments and loans in January -December 2021 (USD billion) [9]**

In January-December 2021, a total of 12.1 billion. USD of foreign investments and loans were disbursed, of which 81.0% or 9.8 bln. U.S. dollars have been invested in fixed assets. Of the total disbursed foreign investment and loans, 42.4% or 5.1 bln. USD of foreign direct investment, including 4.2 bln. The U.S. dollar has accounted for foreign direct investment in fixed assets.

In our opinion, the role of foreign investment in ensuring the competitiveness of

national enterprises is reflected in the technological structure of investments in fixed assets. In the technological structure of investments in fixed assets in January-March 2020, investments in construction and installation works in the country - 40.2%, for the purchase of machinery, equipment and inventory - 51.4% and for other expenses - 8.4%.

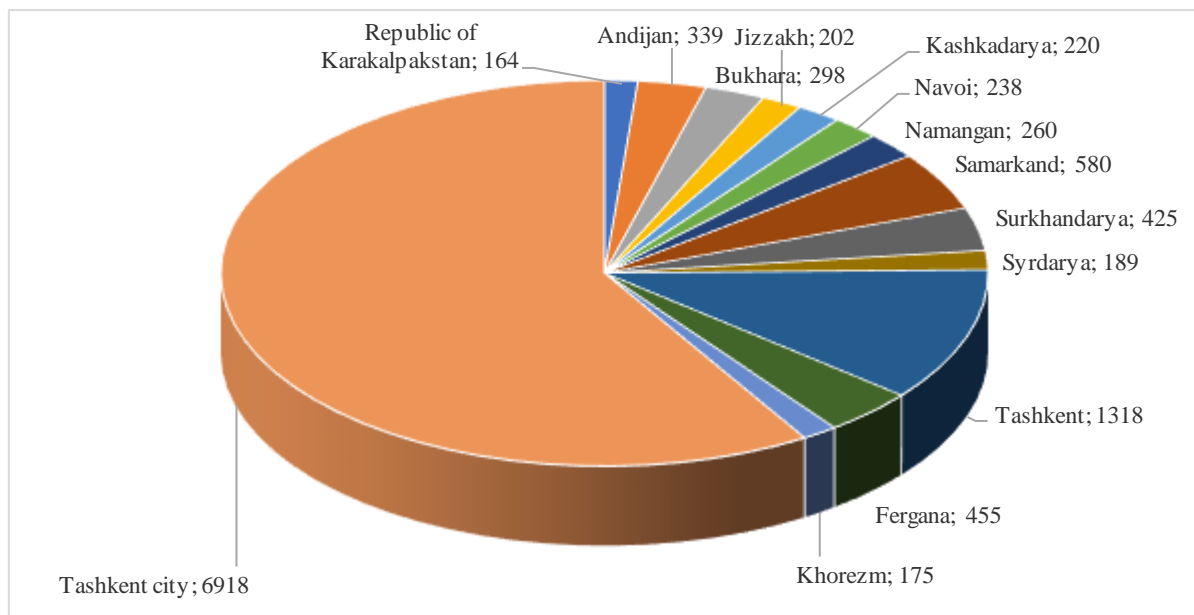


**Figure 2. Technological structure of investments in fixed assets dynamics, relative to total (in percent) [10]**

In January-March 2020, the volume of investments in fixed assets in order to expand, reconstruct and modernize the activities of enterprises and organizations in the country - 9093.0 billion. soums. The share of new construction in the structure of reproduction of investments in fixed assets in the country is 45.5%, modernization, technical and technological re-equipment the share of armaments and investments in expansion was 27.2%, and the share of investments in other areas was 27.3%.

The socio-economic development of the Republic of Uzbekistan and its becoming one of the most competitive countries in the world is closely linked with the investment policy of the country, the region and its economic sectors, as well as the investment attractiveness of individual enterprises.

Of course, it is a good indicator that investors from foreign countries carry out investment activities within the country. However, the majority of foreign capital-based businesses are in Tashkent, Tashkent region and Samarkand region. It is clear that the distribution of joint ventures by sector and industry has also led to disparities. Joint ventures registered in a single trade sector are 3 times more numerous than in the huge agricultural, forestry and fisheries sectors. However, the majority of investments in the trade sector are in financial terms, and the creation of new jobs is a few times less than in other industries. This, in turn, will minimize the emergence of a new layer of taxpayers and the positive impact on the renewal rate of fixed assets.



**Figure 3. Business entities based on foreign capital by regions in 2020 (number) [11]**

The results of the above analysis serve to justify the role of foreign investment, especially direct investment, in further deepening structural changes in the economy, accelerating investment activities of enterprises, modernization of production, technical and technological re-equipment programs.

Recognizing the importance of the role of foreign direct investment in increasing the investment attractiveness of our country, a number of measures are being taken to attract these investments. Attracting and fully utilizing foreign direct investment contributes to the growth of employment and living standards in the country, improving the income of the population, increasing the investment

attractiveness of our country in the international arena.

In the current context of developing a market economy, increasing the country's investment attractiveness is one of the most important indicators of capital inflows into the country. Policies to increase investment attractiveness also play an important role in attracting foreign direct investment to the country. "Economic growth is achieved primarily through the creation of competitive industrial chains and increased investment in such projects. At the same time, it is necessary to reduce public participation in investment policy and increase the share of private and direct investment" [12]. Therefore, the study of foreign direct investment is important to increase investment attractiveness.

**Table 1**

**Structure of investments in fixed assets by sources of financing (Own means of enterprises and population as a percentage of the total) [13]**

Nu.	Territories	2019	2020	2021
1.	Republic of Uzbekistan	29,3	40,8	38,1
2.	Republic of Karakalpakstan	34,3	39,1	36,1
3.	Andijan	38,2	47,6	37,0
4.	Bukhara	28,9	38,3	28,3
5.	Jizzakh	22,5	20,9	51,9
6.	Kashkadarya	22,2	21,6	30,4

7.	Navoi	15,7	25,8	25,2
8.	Namangan	29,4	41,9	41,3
9.	Samarkand	38,5	53,0	42,9
10.	Surkhandarya	15,7	23,7	28,4
11.	Syrdarya	20,4	29,9	18,3
12.	Tashkent region	38,6	51,6	45,5
13.	Fergana	34,7	43,3	40,8
14.	Khorezm	32,8	41,2	42,2
15.	Tashkent city	36,6	54,0	43,3

The above figures show the indicators of foreign direct investment and loans in the framework of investment projects by region (Table 1). It should be noted that in 2021, the use of foreign direct investment and loans will be several times higher than in 2018. At the same time, we can see that our country has an active policy of attracting foreign direct investment and loans from international financial institutions. This shows that the volume of investment in the country's economy is growing from year to year. The improvement of the investment climate of enterprises operating in our country can be seen in the share of investments in fixed assets in the table above, which is reflected in the table above.

Attracting investments for the development of the country's economy, the construction and reconstruction of new enterprises equipped with modern machinery and technology is crucial, which will primarily address important social issues such as increasing employment and incomes. Therefore, one of the urgent issues is to provide economic incentives and create the necessary conditions for enterprises that are actively attracting foreign investment.

### **5. Conclusions and suggestions.**

Optimizing the organization of competitiveness in manufacturing enterprises in Uzbekistan is very important and relevant in the current period of modernization. At present, the prospects for improving the management of competitiveness in manufacturing enterprises require quality management, which is widespread in the world. This makes it urgent to focus on

saturation of the domestic market and increasing the competitiveness of export-oriented products. Increased economic activity will serve to shape the competitive chain of the national economy. In turn, the domestic market capacity and effective demand formation has a positive effect on the resulting processes. In particular, it is important to bring the qualification level of the workforce in line with the requirements of the labor market. Therefore, each country tries to pay special attention to the processes related to the role of foreign investment in ensuring the competitiveness of national enterprises.

In our opinion, in the future it is expedient to carry out the following tasks to improve the processes related to the role of foreign investment in ensuring the competitiveness of national enterprises:

- 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 increasing regional wealth;

- in order to maintain high and stable rates of economic growth, it is necessary to create a model of a stable and competitive economy in which the majority of the assets of the banking system are in the hands of private investors;

- pursue an active investment policy in improving the system of increasing the range of high value-added products in industrial enterprises, modernization, technical renewal and diversification of production to meet international standards;

- consistent elimination of deformations resulting from the depreciation of fixed assets through the development of a

conceptual model of public investment policy in the context of structural reforms in the economy;

- development of programs for the targeted use of foreign investment for the full use of the territorial export potential and others.

- optimizing 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;

- improving the system of attracting foreign investment in the implementation of strategically important projects, deepening the localization of production and expanding inter-sectoral industrial cooperation, economic growth and structural transformation of the economy;

- creating a favorable business environment based on high technology and creating high value-added joint projects;

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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