



Formation of Investment Environment: Scientific and Methodological Directions of Territorial Assessment

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Abstract

This article examines the essence of the attractiveness of the investment climate, the theory of international indices recognized by the world, which assesses the investment potential, the views of economists on increasing investment attractiveness in attracting foreign investment. At the same time, the methods of determining the investment flow of developed countries, the negative and positive factors affecting investment attractiveness are analyzed. In addition, the necessary mechanisms for attracting foreign investment and scientific conclusions and recommendations to increase investment attractiveness have been developed.

Keywords: *Investment Attractiveness; Investment Potential; Investment Policy; Investment Climate; Foreign Investment; Investment Potential; Recipient; Donor; Investment Attraction Mechanism; Investment Flow*

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 success. 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 the 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.

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 crucial. 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].

In particular, the most important factors for assessing the investment potential of a country/region are: resource - raw materials (averaged supply of the main types of natural resources); production (total output of farms in the region); consumption (purchasing power of the population of the region); infrastructure (economic and geographical location of the region and its infrastructure); intellectual (level of education of the population); institutional (level of development of leading institutions based on a market economy); innovative (the degree of implementation of the achievements of scientific and technological development in the region). It should be noted that investment potential is one of the criteria for classifying regions [4].

The attractiveness of the investment climate, the economic development of each region depends on the potential of capital, labor resources and 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].

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 imports by attracting foreign investment. In this case, the attracted investments take the form of loans [6].

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 [7].

In our opinion, in order to ensure investment attractiveness and rational use of investment potential, it is necessary to pay attention to: the region's opportunities to increase investment attractiveness in order to stabilize the economy, accelerate investment activities aimed at innovative renewal of socio-economic structure; increase and innovative investment [8].

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 way to attract investment in joint-stock companies is to use the IPO mechanism [9].

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.

Analysis and Discussion of Results

The investment attractiveness of countries depends on a number of factors, including political, economic, social, cultural, organizational, legal and geographical. Based on these factors, investors decide whether or not to invest in the country. The World Bank's Doing Business report published annually by more than 6,700 experts from around the world, ranks 189 countries in terms of doing business (a total of 10 indicators).

Naturally, not all of the indicators in this ranking are perfect. They exclude the following important factors: macroeconomic policy, quality of infrastructure, skills of the workforce, exchange rate fluctuations, investor opinion, the risk of corruption and its level.

The World Bank's ranking includes government-created administrative procedures for starting and running a business, as well as key factors related to the country's economic potential (market size, labor costs and ect.), as well as the risks that a potential investor may encounter.

Table 1
Ratings that reflect the investment climate and the attractiveness of countries for investors[10]

<i>Rating</i>	<i>Rating organizations</i>	<i>Evaluated parameters</i>	<i>Source of information</i>
<i>Doing business</i>	World Bank	Legal environment for doing business	Statistical and legal information, expert surveys
<i>Global competitiveness index</i>	World Economic Forum	Socio-economic parameters of countries	Statistics and surveys of company executives
<i>Country Inactivity Index</i>	Peace Fund	Existing risks for companies operating in the country	An internal system for collecting and analyzing information

Investment environment is widely used concept that covers all the issues that an investor should consider. The investor evaluates the advantages and disadvantages of investing in a particular country, as well as the ideology, policy, economy and culture of the country in which he intends to invest his capital[11].

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, as well as increased competition among investors. If we want to increase the volume of foreign investment, of course, to create a more favorable and high level of investment climate and regional conditions than others (competitors), as well as it is needed to focus on ensuring to stimulate domestic (national) investment which is risk-free.

In the current socio-economic environment, the inflow of investment depends on the development of innovative industries and the development of innovative entrepreneurship, the investment climate and the investment mechanism.

Studies show that if the investment climate is good, on the one hand, it will increase domestic investment, and on the other hand, it will increase savings in relation to consumption as part of the planned expenditures. This is a guarantee of high economic growth.

In the course of research on the regional economy, the study grouped the factors that indicate the investment attractiveness of the regions into a single system. It summarizes and classifies scientific-practical views that represent the socio-economic potential of the region, reflecting the complex indicators of the quality of the main groups (Table 2).

Table 2
The investment potential of the country and a set of factors influencing it[12]

№	Group	A set of indicators
I. FACTORS AFFECTING THE LEVEL OF INVESTMENT POWER OF REGIONS		
1	Natural-geographical potential	- raw material resources: mineral raw materials; land and water; fuel and energy; various ores and metals.
2	Work potential	- demographic potential of the region: population density; quantity and quality of labor resources; labor force; average monthly salary; number of unemployed; age level of employed and unemployed; skills and level of the unemployed.
3	Production potential	- production capacity: gross regional product (GRP); condition of fixed assets; productivity of factors of production; specialization of the region by industries and sectors; volume of imports and exports.
4	Innovative potential	- scientific and technical potential of the region: scientific and technical achievements; those with academic and research degrees; volume of scientific and technical projects; those engaged in science; existing research and development institutes/branches in the region.
5	Institutional potential	- republican and local legislation: consumer rights; principles of corporate governance; healthy competitive environment; business environment and information support; accounting and statistical reporting; development of financial markets and institutions.
6	Infrastructure potential	- infrastructure: the state of water and electricity in the region; availability of airports, highways and railways; development of information and communication technologies.
7	Financial potential	- the main criteria of financial capacity: the volume of loans issued by commercial banks for the activities of business entities; the amount of funds deposited by the population in bank deposits in national and foreign currencies; volume of deposits of legal entities in banks (in national and foreign currencies).
8	Consumption potential	- consumer demand in the region: wages; all other forms of income (rent, rent, dividends, interest, profit, pension, subsidy, etc.)

The positive concentration of the various factors mentioned above allows for the active inflow of foreign investment. And that, of course, creates more jobs, more income, more opportunities for economic growth. In addition, the most important thing is that foreign investors not only bring capital, but also bring advanced knowledge and experience from their home countries. This will allow the country to grow in the future.

In addition to directing foreign direct investment into the country's economy, socio-political issues will also be addressed. In the context of globalization, not only economic but also social benefits have a significant impact on investors' decisions. (Figure 1 below).

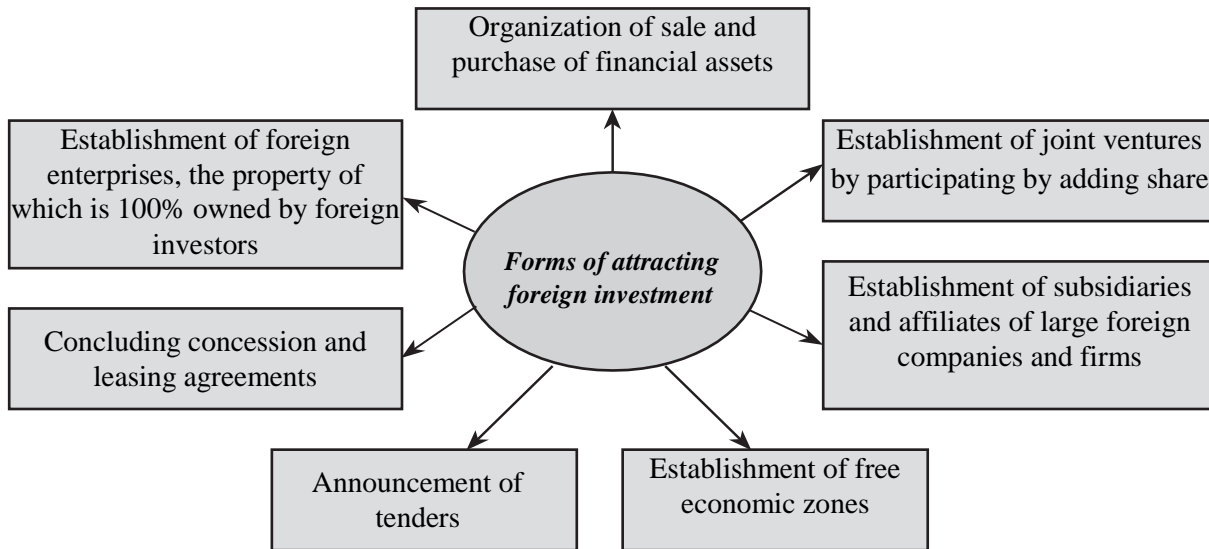


Figure 1. Forms of attracting foreign investment [13]

It is obvious that the basis of the relationship with the attraction of foreign direct investment is measured by the level of development of domestic industries and sectors. This, in turn, determines the country's investment attractiveness. It is natural for investment flows to politically, socio-economically stable countries.

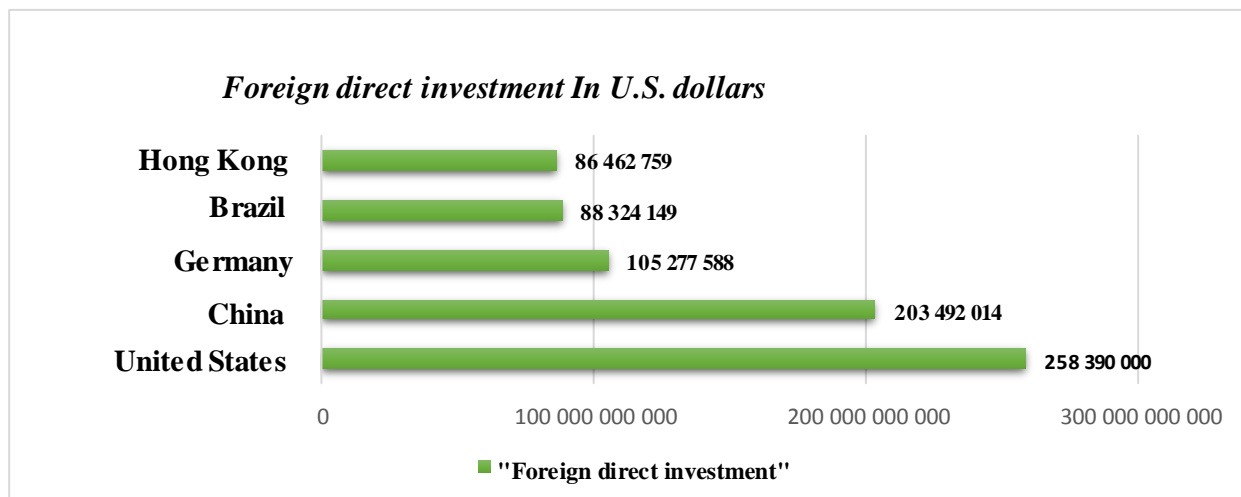


Figure 2. As of 2019, the indicators of foreign direct investment attracted by the countries amounted to mln. In U.S. dollars [14]

As of 2019, the largest share of foreign direct investment in the world market falls on the United States, attracting 258 million US dollars of foreign direct investment. USD. This indicates that the political, socio-economic spheres directly related to the attractiveness of investment in these countries are actively developing comprehensively (Figure 2).

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. It should be noted that the state's investment policy includes a set of measures to develop the country's priority sectors of the economy and the transition to decentralized investment processes in the process of centralized investment. This, in turn, means reforms aimed at increasing the investment attractiveness of the country, which is the basis for creating a favorable investment climate for investors, who play an important role in attracting various investments.

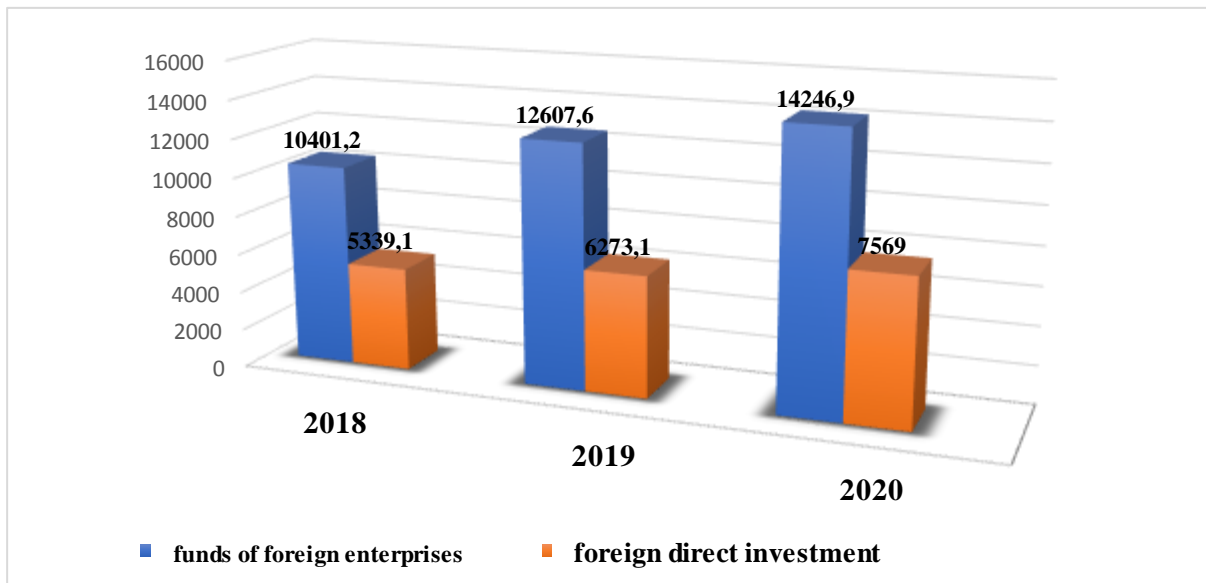


Figure 3. Investments in fixed assets by sources of financing in Uzbekistan, (billion soums)[15]

The above analysis of investments in fixed assets by sources of funding is analyzed (Figure 3). It can be seen that the funds of foreign enterprises will grow by 37% in 2020 compared to 2018, and the share of foreign direct investment will be 41.8% in 2020 compared to 2018. This means that compared to 2018, we can see a significant increase in investment in our country. 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. 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 absorbing foreign direct investment contributes to the growth of employment and living standards in the country.

Over the past few years, Uzbekistan has undergone rapid economic transformation and is increasingly emerging in the international community as one of the symbols of openness, renewal, and resilience in overcoming various barriers to business and investment. The state of the investment climate is important not only for the recipient investor but also for the donor investor.

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. Consistent implementation of structural changes aimed at ensuring high competitiveness of the national economy;
2. 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;
3. Develop and implement comprehensive programs to ensure the sustainable development of the regions and their smooth and uninterrupted development;
4. Support for priority sectors that serve to increase the import and export potential of the economy, as well as create high added value;
5. Support for priority investment projects aimed at the development of regional infrastructure;
6. Ensuring the attractiveness of the investment environment in order to increase the innovation and investment activity of local and foreign investors;
7. Creating a favorable business environment for high-tech and high value-added joint projects;
8. 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;
9. Encourage investment through the development of public-private partnerships and project financing tools to increase investment attractiveness and accelerate the growth of investment in infrastructure, which is one of the key factors for sustainable economic growth;
10. Optimizing the relationship between investors and the state to completely eliminate bureaucratic barriers and restrictions in the implementation of investment projects through digitalization and remote provision of public services;
11. It would be expedient to increase the role of government agencies in creating a business environment and a favorable investment climate.

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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