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Investment is the Key Factor in Achieving Sustainable Development Goals

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Abstract: The article reveals the role and importance of investments in the socio-economic development of the country. The role and main aspects of investments in the modernization and development of the economy in the context of modern globalization and technological changes are described. The volumes and growth rates of investments in fixed assets for 2020-2024 are analyzed. The share of investments in fixed assets from centralized and decentralized sources of financing in 2020-2024 is studied. The main problems that hinder the attraction and effective use of investments in the economy are identified. The impact of investments in fixed assets on the volume of gross domestic product was determined using correlation methods. Based on the results of the study, important proposals and recommendations were developed to increase the attractiveness of the investment environment in Uzbekistan and actively attract investments.

1 INTRODUCTION

Investments play a leading role in the economy of a country. They support economic potential, modernize the economy, increase the gross national product and develop new types of activities. A report by UNCTAD (United Nations Conference on Trade and Development) notes that “closing the financing gap needed to achieve the Sustainable Development Goal and combat climate change will require approximately $500 billion in international public finance and $500 billion in international private finance annually, much of which will come from foreign direct investment.”

In 2023, global FDI flows declined marginally by 2% to $1.3 trillion. In 2024, the global international investment environment remains tense. FDI flows to developing countries fell by 7% to $867 billion, driven mainly by an 8% decline in developing Asia. Flows fell by 3% in Africa and by 1% in Latin America and the Caribbean.

The President of Uzbekistan emphasized that “ Our main goal is to turn Uzbekistan into a reliable and long-term partner for foreign investors.” In his speech, the head of our state specifically focused on priority areas for expanding mutually beneficial cooperation with foreign investors:

1. The first is "green energy". Increasing the efficiency of the energy sector is relevant for our entire region. Currently, 28 projects are being implemented in this direction;
2. Secondly, the banking and financial sector. As a result of reforms in Uzbekistan, the number of private banks has increased, leading European banks have entered our market, and a number of digital banks have appeared;
3. Third. Among the priorities of mutually beneficial partnership is the joint development of mineral resources;
4. Fourth, the country's digital transformation. Over the year, the export of IT services and software products has doubled, and the target is to bring its volume to 5 billion dollars.

The relevance of issues related to investments in modernization and development of the economy increases in the modern conditions of globalization

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and technological changes. Let us consider the main aspects:

1. Increased productivity : Investments in new technologies and modernization of production processes can significantly increase labor productivity; the introduction of automated systems and information technologies helps to reduce costs and increase efficiency.

2. Competitiveness: development and modernization of infrastructure (transport, energy, communications) create the basis for increasing the competitiveness of the national economy; investments in the modernization of domestic production improve the quality of products and increase their competitiveness in international markets.

3. Creation of new jobs: investments in new projects create jobs and improve working conditions, which increases the standard of living of the population; investments in training and upgrading the skills of employees contribute to the creation of a more qualified workforce.

4. Social improvements: investments in social infrastructure (education, health care, housing) help improve the quality of life of the population; investments in the development of regions and social programs help reduce the gap between different segments of the population.

5. Sustainable development : Investments in clean and sustainable technologies help solve environmental problems and ensure sustainable economic development; investments in energy efficiency projects reduce resource consumption and improve energy security.

6. Attracting foreign investment: effective investment in economic modernization creates an attractive investment climate for foreign investors; foreign investment promotes the transfer of technology and knowledge, which has a positive impact on economic development.

7. Long-term planning: investments in key sectors of the economy (technology, agriculture, energy) ensure sustainable development in the long term; investments in research and development allow us to prepare for future economic and technological changes.

The issues of the content, structure and dynamics of investments, sources of their financing, their role in the functioning of the market economy have been studied by many economists and scientific schools (classics, Marxism, neoclassicism, Keynesianism, neoclassical synthesis, their modern varieties of branches). Modern foreign researchers pay special attention to investment markets and transactions; analysis of the role of various sources of investment; investing in individual areas and objects, including innovative industries. All these areas are associated with the need to solve an important economic problem - attracting investments and their effective use. The greatest attention of the scientific community and practitioners in Uzbekistan has been earned by the works of such foreign scientists-economists as G. Birman , L.J. Gitman , M.D. Johnk , Bodi Zvi , Marcus Alan J. , Kane Alex, Sharp William Forsythe , Alexander Gordon J. , Bailey Jeffrey W. , N. Leventsev, G. Kostyunina, D. Mukha, M. Suleimanov , A. Mikhin and some others.

Of the scientists of Uzbekistan, A.V. Vakhabov, Sh.Kh. Khazhibakiyev, N.G. Muminov, B.B. Valiev, D.G. Gozibekov, U.S. Nadyrkhanov, G.A. Karimova in their scientific works studied and analyzed the problems of attracting foreign investment in the national economy, the activities of free economic zones, financial mechanisms for attracting foreign investment, increasing the efficiency of foreign investment, they developed scientifically based conclusions, proposals and recommendations.

At the same time, relatively few studies have been devoted to the study of this issue in relation to countries with transition economies and, in particular, Uzbekistan, as well as to studies of the practical possibilities of using foreign direct investment to solve urgent problems of economic development of the country.

3 RESEARCH METHODOLOGY

The study made extensive use of grouping methods, comparative and economic analysis, induction and deduction, economic and statistical methods and expert assessments.

4 ANALYSIS AND RESULTS

Uzbekistan has been actively working to improve the investment climate and attract foreign and domestic investment in recent years. In recent years, there has been a steady increase in both domestic and foreign investment. The government is implementing a number of reforms aimed at stimulating investment and improving the business environment.

In January-December 2024, 493.7 trillion soums of investments in fixed assets were spent on the development of the economy and social sphere of the Republic of Uzbekistan from all sources of financing, which is 127.6% compared to 2023. The highest indicators and growth rates by sources of financing investments in fixed assets were noted due to non-guaranteed foreign investments and loans, which, compared to 2023, reached 166.2%. The dynamics of the volume of investments in fixed assets over the past five years shows that it has increased by almost 2.3 times, especially at the modern stage, compared to 2023, i.e. 137.6 trillion soums more in investments were spent. If we look at the growth rate of investment volume over the past five years, it tends to increase: in 2021-2022 it was about 102.9-100.2%, and over the past two years - 123.4 - 27.6%. Fig. No. 1). If we look at the growth rate of investment volume over the past five years, it becomes obvious that until 2019 it increased and reached 138.1%, in 2020 there was a slight decrease - 95.6%, in 2021 it increased to 102.9%, and then continued to grow and currently amounts to 122.1%.

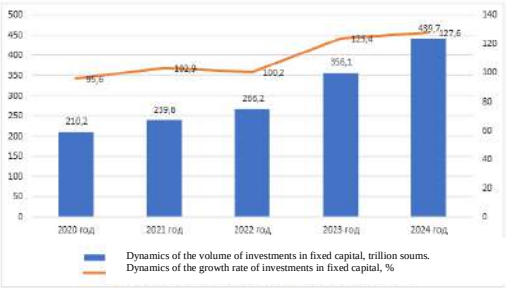

Figure 1: Dynamics of volume and growth rates of investments in fixed capital.

In January-December 2024, 51.9 trillion soums of investments in fixed assets, or 10.5%, were utilized through centralized sources of financing, which is 3.5 percentage points less than in 2023. Accordingly, 441.8 trillion soums of investments, or 89.5% of their total volume, were utilized through decentralized sources of financing in the specified period, which is 3.5 percentage points more than in 2023.

Over the past five years, the share of investments in fixed assets has decreased and has mainly been developed through decentralized sources of financing. In 2024, foreign loans received under the guarantee of the Republic of Uzbekistan reached 23.6 trillion soums and, compared to 2023, this amount was 97.4%. Their share in the total investment volume was fixed at 4.8%. The share of investments developed through decentralized sources of financing has tended to increase over the past five years - from 80.1% in 2020 to 89.5% in January-December 2024 (Fig. No. 2).

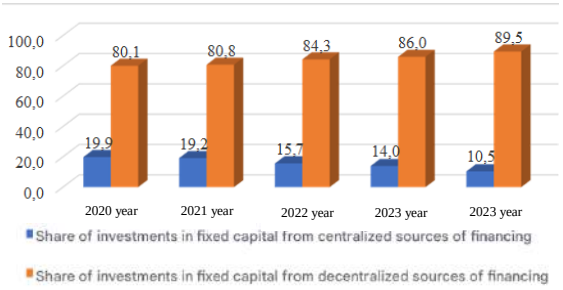

Figure 2: Share of investments in fixed capital from centralized and non-centralized sources of financing, %.

In the structure of investments in fixed capital by types of economic activity in 2024, the manufacturing industry prevails. As a result of large investment projects, such as the construction of a gas chemical complex, the organization of cement production, the modernization of cotton processing equipment in the Andijan region, the construction of a chemical complex for the production of complex mineral fertilizers in the Samarkand region, the organization of the production of new car models and others, 144.6 trillion soums, or 29.3% of the total investment in fixed capital, were spent from all sources of financing in this industry.

Uzbekistan has become more attractive to foreign investors due to the improvement of the legislative framework, tax incentives and political stability. The main sources of foreign investment: The main investor countries are Russia, China, South Korea, Japan and the Commonwealth of Independent States . Investments are also actively attracted from the European Union and international financial organizations. Uzbekistan signs various agreements on cooperation and investment with international financial institutions, which helps attract capital.

It should be noted that Uzbekistan has large resources in the field of solar and wind energy. Investments in renewable energy sources are becoming a priority for the government. Projects to modernize transport infrastructure, including roads, railways, and airports, require significant investment. Uzbekistan creates free economic zones, offering investors tax incentives and simplified administrative procedures. Within the framework of the legislation, the country provides guarantees for the protection of investors' rights, which increases confidence in the economy. The government is actively working to diversify the economy, which opens up new opportunities for investment. Improving technology, developing irrigation and processing agricultural products are important areas for investment.

Uzbekistan is also actively developing its tourism sector, investing in creating infrastructure, improving service and promoting tourist routes.

Thus, the dynamics of investments in Uzbekistan show positive trends with a steady growth in the volume of both domestic and foreign investments. Successful economic reforms and the creation of favorable conditions for business contribute to attracting capital to key sectors of the economy. However, to achieve even more significant results, it is necessary to continue working on eliminating existing problems and threats associated with investment activities.

Despite the positive dynamics and active efforts to improve the investment climate in Uzbekistan, the country faces a number of problems that may hinder the attraction and effective use of investments. Let's consider the main ones:

1. Corruption and bureaucracy. Despite the reforms, the level of corruption remains high, which reduces investor confidence and complicates business processes. Long and complicated procedures for obtaining permits and registering a business can scare off potential investors.

2. Lack of transparency. Lack of information about the market, legislative changes and the business environment makes it difficult to make investment decisions. Changes in legislation and regulations often occur spontaneously and are not always subject to public discussion.

3. Problems with access to financing. Lending conditions from banks are often unfavorable for small and medium businesses, which limits their ability to attract investment. High interest rates on loans make borrowing funds for the implementation of investment projects less accessible.

4. Lack of skilled labor. The lack of specialists with the necessary skills and knowledge to implement modern innovative projects can become a barrier for some investors. The education system does not always prepare personnel that meet the requirements of modern markets.

5. Infrastructure issues. The need to develop transport and logistics infrastructure to improve business efficiency and attract further investment. Regular power outages and energy shortages can limit production capabilities and operational efficiency of enterprises.

6. Economic instability. Fluctuations in exchange rates can create additional risks for investors, especially those dealing with foreign currencies. Changes in tax laws, which can occur suddenly, also pose problems for investment planning.

Based on the statistical data presented in Figure 3 , we will determine the impact and dependence of fixed capital investment on GDP. Here we use formulas (1) and (2) .

$$R_T = \frac{\sum n_{xy} xy - n\bar{x}\bar{y}}{n\sigma_x \sigma_y} \quad (1)$$

$$\bar{y}_x - \bar{y} = \rho_{yx}(x - \bar{x}), \quad \rho_{yx} = R_T \frac{\sigma_y}{\sigma_x}. \quad (2)$$

Figure 3: Gross domestic product of the country and investment in fixed capital.

The results of the correlation analysis show that there is a strong correlation between fixed capital investment and GDP. In particular, an increase in fixed capital investment leads to GDP growth, which has a positive effect on the socio-economic development of the country.

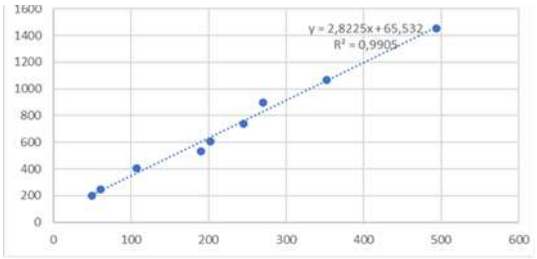

Figure 4: Impact of fixed investment on gross domestic product.

5 CONCLUSION

Investments in modernization and development of the economy are the key to successful and sustainable growth. The relevance of these investments is obvious in the context of the current challenges facing the world economic community, related to global changes, technological innovations and social requirements. Effective investment strategies ensure not only economic growth, but also an improvement in the quality of life of the population, the creation of new jobs and sustainable development.

To create a favorable investment environment and attract both foreign and domestic investment in Uzbekistan, it is necessary to implement a number of strategic initiatives. Here are the main recommendations:

— improving the investment climate: simplifying the procedure for registering a business and obtaining the necessary permits; developing a clear and stable regulatory framework that facilitates far-sighted planning of investment projects;

— Anti-corruption: Strengthening anti-corruption measures; Effective mechanisms for combating corruption should be established, including independent inspections and audits of government processes; Establishing transparent mechanisms for tenders and procurement, which will increase trust in the government system;

— infrastructure development: modernization and development of transport infrastructure to improve the efficiency of freight transportation and reduce time costs; development and implementation of projects to modernize the energy system and introduce renewable energy sources;

— support for small and medium-sized private businesses: creation of funds and support programs for small and medium-sized businesses, including subsidies and preferential loans; provision of training and consulting for entrepreneurs on business management and investment attraction;

— creation of attractive conditions for foreign investors: introduction of tax holidays for strategically important sectors; establishment of clear legal norms to protect the rights of investors and their assets;

— conducting information campaigns: organizing information events for foreign investors about the opportunities and conditions for doing business in Uzbekistan; developing a strategy for promoting Uzbekistan as an investment an attractive country on the international arena.

The implementation of the above recommendations will create more favorable conditions for attracting and effectively using investments in Uzbekistan. This, in turn, will contribute to sustainable economic growth and improving the well-being of the population. A systematic approach and comprehensive measures can provide the country with long-term investments and growth.

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