



## The Role of Investments in the Innovative Development of the Economy

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### ABSTRACT

The article highlights the problems associated with improving the practice of using financial resources in the innovative development of the economy of the Republic of Uzbekistan, and developed scientific proposals for their solution. As well as, the existence of an effective investment and industrial policy of the state (with clear directions for the allocation of financial resources), the development of investment infrastructure, which is the main direction for reducing the risks associated with the implementation of investment projects, the issues of increasing the investment attractiveness of enterprises are analyzed.

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Scientific and technological progress is one of the key factors of economic growth. This is due to the fact that in order to ensure the innovative development of the economy, it is necessary to accelerate scientific and technological progress. Ensuring the transition of the economy to the path of innovative development, in turn, will ensure its international competitiveness.

The transition of the economy of the Republic of Uzbekistan to the path of innovative development is a necessary condition for its competitiveness. Approved by the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No.PD-60 “On the Development Strategy of the new Uzbekistan for

2022-2026”, the following goals were set:

- wide introduction of innovations in the economy, development of cooperative ties between industrial enterprises and scientific institutions;
- development of technologies for the production of innovative products in areas transformed into innovative zones that create high-quality products, up to 50% cheaper than existing analogues, with an added value that is 2-3 times higher than the cost of raw materials, including the implementation of a total of 195 projects worth 165.9 billion soums;
- improvement of the position of the Republic of Uzbekistan in the Global Innovation Index and inclusion in the top 50 countries of the ranking until 2030;
- creation of broad opportunities in all areas for the implementation of innovative projects, the introduction of modern mechanisms for supporting research and innovative initiatives [2].

In turn, the innovative development of sectors of the economy requires the formation of sources that will fully finance the costs of innovation.

Sources of financing for innovative development of sectors of the economy are:

- Own funds of business entities;
- loans from commercial banks;
- means of the state budget;
- foreign investments;
- international loans;
- other borrowed funds.

**Table 1. Composition of sources of financing investments in fixed assets in the Republic of Uzbekistan, in percent**

<i>Financing sources</i>	<i>Years</i>				
	2016	2017	2018	2019	2020
<i>Own funds of enterprises</i>	55,2	54,7	52,9	53,0	29,4
<i>State budget funds</i>	5,3	4,5	4,5	4,5	5,5
<i>Loans and other loans from commercial banks</i>	10,3	11,2	11,8	10,0	11,0
<i>Foreign investments and loans</i>	19,3	19,8	19,9	21,3	20,4
<i>Other sources</i>	9,9	9,8	10,9	11,2	33,7
<b>Financing sources - Overall</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

The table shows that in 2020 the share of enterprises in the total volume of sources of financing for their investments in fixed capital has sharply decreased due to an increase in the share of other sources. This is due to the fact that in 2020 the share of the Fund for Reconstruction and Development of the Republic of Uzbekistan increased in the total volume of sources of financing investments in fixed assets and amounted to 8.5%.

Commercial bank loans play an important role in ensuring the innovative development of economic entities in the country.

In January-December 2021, compared to the corresponding period of 2020, there was an increase in

investment activity, the growth rate of investment in fixed assets was 105.2%.

In 2021, 245.0 trillion soums of investments in fixed assets were disbursed, of which 61.9%, or 151.5 trillion soums, were financed from borrowed funds, the remaining 38.1%, or 93.5 trillion soums, - for account of own funds of enterprises and population.

Of the total, 44.8 trillion soums of investments in fixed assets, or 18.3%, were disbursed from centralized sources of financing, which is 1.6 percentage points less compared to the same period in 2020.

Accordingly, 200.2 trillion soums of investments, or 81.7% of their total volume, were disbursed from non-centralized sources of financing, which is more by 1.6 percentage points compared to the same period in 2020

In January-December 2021, 71257.3 billion soums of investments in fixed capital, or 29.1% of their total volume, were disbursed at the expense of the own funds of enterprises and organizations. At the expense of the population, 22229.2 billion soums of investments, or 9.0%, were disbursed.

Due to foreign direct investment, 30149.2 billion soums were disbursed, which, compared with the corresponding period of 2020, is less by 1.8 percentage points, or 12.3% of their total volume.

Along with this, 19545.4 billion soums were disbursed at the expense of bank loans and other borrowed funds (from the total volume of investments in fixed assets 8.0% and this indicator, compared with the corresponding period of 2020, increased by 0.4 percentage points ), foreign loans guaranteed by the Republic of Uzbekistan, amounting to 17318.2 billion soums (7.1% decreased by 3.9 percentage points), non-guaranteed and other foreign investments and loans -56989.9 billion soums (23.3% increased by 5 .8 percentage points), the Fund for reconstruction and development - 3114.4 billion soums (1.3% increased by 0.1 percentage points), the Republican budget - 21498.2 billion soums (8.8% increased by 2.0 percentage points ), the Fund for the development of water supply and sewerage systems - 2860.8 billion soums (1.1% increased by 0.2 percentage points) of their total volume.

High indicators and growth rates in terms of sources of financing investments in fixed assets were noted for the Reconstruction and Development Fund, which, compared to the corresponding period in 2020, amounted to an increase of 11.9%. This is due to major investment projects, in particular, such as the introduction of an automated system for monitoring and accounting for natural gas, the acquisition of a new Boeing-787-8 aircraft, the construction of a surface ring metro in Tashkent, the construction of a new Shavat-Karauzak railway line, a joint railway and automobile bridge over the Amu-Darya.

In the technological structure of investments in fixed capital in the Republic of Uzbekistan, 125559.9 billion soums were allocated for the purchase of machinery, equipment and inventory, which accounted for 51.3% of their total volume, investments for 50.8% of construction and installation works reached 105957, 2 billion soums (share in the total volume is 43.2%), for other costs - 13445.5 billion soums (or 5.5%).

Direct foreign investments and loans in the specified period amounted to 87139.1 billion soums, foreign loans guaranteed by the Republic of Uzbekistan - 17318.2 billion soums.

There should be a number of conditions for financing the innovative development of the real sector of the economy through loans from commercial banks. The main ones are:

- the existence of an effective state investment and industrial policy (with clear directions for the distribution of financial resources);

- development of investment infrastructure, which is the main direction of reducing the risks associated with the implementation of investment projects;
- increasing the investment attractiveness of enterprises [4].

It should be noted that the stratification of the required reserve rates of the Central Bank of the Republic of Uzbekistan in September 2021, depending on the terms of deposits of commercial banks, significantly increased the ability of banks to provide investment loans.

"Action Strategy for the Further Development of the Republic of Uzbekistan", approved by Decree of the President of the Republic of Uzbekistan No. PD-4947 dated February 7, 2017, sets the task of attracting loans from international financial organizations and foreign banks to the Uzbek economy [3]. This forces commercial banks to attract international loans in large volumes and use them effectively.

In 2021, a number of major projects were implemented in the country. In particular, complexes for the production of ammonia, carbamide and nitric acid were commissioned at "Navoiyazot" enterprise, the fifth and seventh hydrometallurgical plants were commissioned at Navoi Mining and Metallurgical Plant, and the first solar power plant was installed in Karmana. A part of this great work was also the launch of the republican automated system for control and accounting of electricity.

In the Guzar region, where the subsoil contains unique natural resources, a plant for the production of synthetic liquid fuel "Uzbekistan GTL" is being put into operation. The construction of such a huge complex, of course, was the direct result of the policy pursued in recent years to develop the domestic industry at a qualitatively new level.

The cost of the plant is 3 billion 420 million US dollars, 3.6 billion cubic meters of natural gas will be processed annually and 1.5 million tons of liquid fuel will be produced at a cost of over 1 billion dollars. In particular - 307 thousand tons of jet fuel, 724 thousand tons of diesel fuel, 437 thousand tons of oil, 53 thousand tons of liquefied gas.

"Due to the production of these products, import substitution will amount to \$500 million a year, exports worth \$200 million and tax revenues to the budget for 2 trillion soums will be ensured," the report says.

It is planned to increase the output of new types of products with higher added value. In particular, 6 projects worth \$620 million will be implemented on the basis of the plant for the production of such products as alkyl benzene, butene and hexene, synthetic oils, maleic anhydride, emulsion additives, catalysts.

It should be noted that the plant has unique technological advantages and high production capacity.

This is confirmed by the fact that so far complexes of this scale have been built only in four countries of the world - Qatar (two), Nigeria, South Africa and Malaysia.

The plant has over 10 thousand pieces of equipment manufactured by almost 130 leading enterprises in 24 countries, such as Japan, Korea, Singapore, USA, Germany, Italy, Great Britain, Russia, China.

Another important point is that innovative solutions have been applied in the power supply of the plant. Due to the steam generated in technological processes, 650 million kW per hour of electricity will be produced annually, so the plant will be able to provide its own electricity needs.

The production process at the enterprise is fully automated. The impact of the human factor at such important stages as process control, monitoring and security has been minimized.

Received 140 international licenses and patents for technological solutions, equipment and production processes. It should be especially noted that most of them have no analogues in the world and the plant is the largest enterprise in the petrochemical industry not only in our country, but throughout the region. Such complexes are a vivid manifestation of the powerful economic potential of New Uzbekistan.

One of the serious problems of investments in the development of an innovative economy is the late repayment of loans issued by commercial banks of the Republic of Uzbekistan to finance investment projects.

An analysis of unjustified investment projects financed by loans from the largest commercial banks in the country showed that serious mistakes were made during their comprehensive consideration. Take, for example, the Kosonsoy-Tekmen project. New equipment and technologies have been introduced to produce innovative goods. However, these methods and technologies are specialized in processing the wool of merino (chualang) sheep living in Australia. Importing wool from Australia to Uzbekistan is not economically feasible. As a result, white goat hair had to be used. But the product is of such low quality that it is impossible to sell it.

The fact that the country's commercial banks have unilateral representative relations with foreign banks, i.e. foreign banks do not have Vostro correspondent accounts with Uzbek banks, which negatively affects the liquidity of the country's banks.

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