

ISSUES OF PROVIDING INVESTMENT SECURITY IN UZBEKISTAN

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Abstract. *This article focuses on the socio-economic aspects of investment security. The author considers a number of indicators of investment security. The economic theory of investment security and the criteria for evaluating the investment climate are described. Also, the results of a study of investment security in the Republic of Uzbekistan are presented.*

Keywords: *financial globalization, investment, foreign investment, investment attractiveness, economic security.*

In recent years, investment security has been one of the most pressing issues in all developed and developing countries. This is due to the fact that one of the main factors of economic development is investment. Investments are important for the restructuring, modernization of the economy, further development of priority sectors of the industry, growth of productivity and the increase of the goods that meet all the requirements.

World experience has shown that it is important to attract investment, especially in developing countries, to ensure economic stability. As the main direction of expansion and modernization of production is investment, the economic development of any state depends on its investment policy. In this regard, each state is carrying an investment policy with a view to making structural changes in the economy through the use of modern technologies and foreign capital.

There are several definitions of investment security, for instance, investment security is the condition to make investment projects, taking into account the equity of the parties' interests.

According to the traditional definition of investment security, investment security is the state of protection of investment from external and internal risks. Investment security is not only the protection against internal and external risks, but also the attraction of investments and a large amount of cash into the economy.

According to the Russian researcher A. Lukyanov, investment security is the creation and maintenance of a favorable invest-

ment climate, the effective use of investment, the accumulation of free funds and their effective use, attracting direct and portfolio investments into the economy, regardless of foreign investors, and free movement of economic resources.

O. Svenssen has pointed out that investment security is the development of the economies, not dependent on internal and external risks, political and economic independence of the state, and the gradual development of the financial sector.

According to E. Oleynikov, investment security is the state of protection of the investment complex and its segments from internal and external risks. For ensuring its investment security, each country should improve the investment climate, maintain the flow of investment in the country and provide a mechanism for achieving low inflation in economic development. Therefore, the national interest in the field of investment security is to maintain the flow of investment in the economy, which provides for the effectiveness of the multiplier-accelerator in the economy and the provision of economic growth based on low inflation.

In the investment climate assessment of the economy, almost all developed and developing countries have common factors and criteria, which are as follows:

- natural resources and ecological situation;
- quality of work force;
- infrastructure development rate;
- political stability and force-majeure situations;

- macroeconomic stability: balance of payments, state external debt;
- the legislation, completeness and quality of economic life management programs, the degree of liberalism;
- crime and corruption;
- protection of property rights, level of corporate governance;
- rate of tax burden;
- quality and credit facilities of the banking system and other financial institutions;
- openness of the economy;
- the level of monopoly in the economy.

In order to define investment security criteria, experts in this field have developed a number of limit values for investment security. In this regard, the limit values of indicators for the state investment security are as follows:

According to the experience of developing countries, the volume of foreign investments to GDP should not exceed 25%. Because of the limited domestic investment, each country attracts foreign capital to develop its economy. However, the excessive of this indicator limit creates dependency on foreign investors. This figure is 21% in Uzbekistan. The share of domestic investment in the total volume of investments should not be less than 75%.

In the process of world economic globalization, developing countries' effective use of domestic investment, along with the attraction of foreign investment, is seen as the driving force behind these countries' economic growth. In particular, foreign experts say that increasing the role of the financial sector in the economy will prevent the low capitalization of state-owned banks. If state-owned banks are based on external sources of capitalization, then some time later foreign investors can take control of the banks. The indicator in Uzbekistan is 50%.

Investments in the fixed capital of the country should not be less than 25% of GDP. Investments are the basis of development of the economy, the greater amount of them means the development of economic relations and the possibility of additional production.

The size of the country's external debt should not exceed 25% of GDP. This indicator is one of the most important economic indicators for assessing the investment security

of each country. According to foreign experts, this indicator will determine the level of investment attractiveness of the country. Approximation of this indicator to the crisis period indicates a low level of investment attractiveness in the countries and, consequently, negatively affects the economic growth of the countries as a result of lack of investments. The limit value of this indicator is set at 25%.

However, according to Danish economist F. Rassondelf, the limit value of this indicator (IO1) is 35 percent. That is, in his view, the crisis is predetermined if the share of state external debt in GDP exceeds 35 percent. The reason is that in determining the investment attractiveness of the states, it should first be emphasized that the production rate and the natural resources of the country should be taken into account. The following formula was used for calculating the limit value:

$$I (\text{limit}) = (R+W)/G * 100$$

I – investment attractiveness index

R – state external debts

W – 25% of estimated natural resources

G – gross domestic product.

According to F. Rassondelf's analysis, for example, the external debt of Kuwait is 38.7% of GDP. However, the country's natural resources worth 1.5 times more than GDP. That's why it is unclear to state that the state has a low investment attractiveness. This figure is 99.4 % in the United States and 118.2 % in Germany. However, the inflow of investments in these countries is very high.

To date, more than 100 projects have been created in the free economic zone "Kokand", which will cost 170 billion soums and create more than 3 thousand new jobs. "Kokand charm-poyafzal" LLC is planning to launch artificial leather production worth 17 billion soums. As for the Free Economic Zone "Hazorasp", initiators of the project have provided 35 projects totaling \$ 87.6 million in short terms. Of these, 17 are projects launched this year. The Uzbek-Chinese joint venture "Pitnak-panels" will be created with a capacity of 1 million square meters per year, which specializes in the production of penopolistrol blocks and sandwich panels.

The total cost of the new joint venture will be \$ 3.6 million, of which \$ 1.8 million will be in the form of foreign investment.

Creation of free economic zones leads to large-scale work on regional development. This can be seen only in the example of Navoi Free Economic Zone, where more than 55 projects, new factories, joint ventures and others are important for the rapid development of the region and the welfare of the population.

In summary, it can be said that in Uzbekistan, although sufficient work is being done to secure investment security, it exceeds the limits established by some indicators. For example, while the share of domestic investment in the total volume of investments should not be less than 75 %, this figure is almost 50 %. This indicator is lower than the specified standard, that is in the pre-crisis phase. Today, in order not to be dependent on foreign investment, it shows that it is necessary to increase domestic investment, that is, the investment potential of the banks.

In the provision of investment security, it is necessary to reasonably direct investments to the sectors. Moreover, it is necessary to study the positive aspects of the investment security situation of foreign countries and to adapt them to the national economy.

The main indicator that determines the investment climate of the country can be demonstrated that there is not enough increase in foreign direct investment. In this regard, the following measures should be taken to revitalize the activities of foreign investment enterprises and to streamline direct foreign investments:

1. In order to improve and resolve the country's investment climate, an open dialogue has been organized with the participation of specialists from foreign investment enterprises, regional administrations, heads of major investment companies and other companies, as well as leading scientists in the field of investment, current issues should be addressed in a transparent manner. In this regard, it is essential to develop and maintain the viability of a single investment policy, based on scientific and economic basis, as well as the practical implementation of adopt-

ed laws and regulations, by involving a broad public opinion on the subject.

2. One of the factors affecting the flow of investments is that marketing research is being carried out poorly and as a result, many products are left in warehouses. This problem should be considered from (not only from the side of investment) the point of view of raising consumer demand of the population and enterprises, raising the level of demand for products and services.

3. There is no reliable provision of information about financial indicators and economic indicators of companies. An alternative and independent non-governmental information agency should be set up to address this issue. It is important to work on the development of the investment climate in Uzbekistan, the formation of a favorable macro-economic policy of attracting foreign capital. To do so, it is necessary to keep inflation low, reduce the impact of inflation on the cost of investment projects, and pay close attention to the sharp increase in the volume of direct foreign investments in the structure of foreign investment. Investments should be involved in the real sector of production, primarily in the processing of raw materials.

To achieve effective utilization of external economic factors in the deepening and development of economic reforms in Uzbekistan, it is worth mentioning the following:

1. Improving the domestic environment in attracting foreign investments, further reducing the tax burden and simplifying taxation, simplifying the registration of foreign investment.

2. Formation of a database of sectors interested by foreign investors, identification of objects and their development, create business plans and their economic development projects and attracting foreign capital to economically advantageous sectors.

3. Increasing the share of exported and finished products, especially increasing cotton and agricultural products and attracting foreign investment in this area.

4. In order to develop the production of import-substituting products and production localization, it is necessary to ensure effective communication with major manufacturers and enterprises of small business and private en-

trepreneurship, that is, they must be suppliers of semi-finished products and components to large enterprises.

5. Increase of export-oriented small enterprises and creation of favorable conditions for their effective functioning and increase of the volume of government soft loans.

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ВОПРОСЫ ОБЕСПЕЧЕНИЯ ИНВЕСТИЦИОННОЙ БЕЗОПАСНОСТИ В УЗБЕКИСТАНЕ

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Аннотация. Данная статья посвящена социально-экономическим аспектам инвестиционной безопасности. Автор рассматривает ряд показателей инвестиционной безопасности. Описываются экономические теории инвестиционной безопасности и критерии оценки инвестиционного климата. Также, представлены результаты исследования обеспечения инвестиционной безопасности в Республике Узбекистан.

Ключевые слова: финансовая глобализация, инвестиции, иностранные инвестиции, инвестиционная привлекательность, экономическая безопасность.