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IMPROVING MECHANISMS FOR ATTRACTING INVESTMENT IN INDUSTRIAL ENTERPRISES OF UZBEKISTAN AND PROSPECTS FOR INCREASING INVESTMENT EFFICIENCY

Abirova Nargizabonu Shavkatbek qizi
Acting Associate Professor, Department of "Economics",
Alfraganus University
abirova.nargizabonu@gmail.com

Abstract
The thesis examines theoretical and practical aspects of improving investment attraction mechanisms in industrial enterprises of Uzbekistan and increasing investment efficiency. Funding sources of fixed capital investment in 2024–2025 are analysed, a three-block (institutional, financial, technological) model of the mechanism is proposed, and recommendations on diversifying funding, public-private partnership, project evaluation and digitalization are given.

Keywords: investment, investment attraction mechanism, industrial enterprises, investment potential, investment efficiency, diversification of funding sources, foreign direct investment, public-private partnership, digitalization, Uzbekistan.

INTRODUCTION

Today, the global economy is developing rapidly under the influence of globalization, digitalization and technological renewal. These processes are leading to structural changes in production systems, the formation of new economic relations and the intensification of competition. In these conditions, the level of development of industrial sectors and investment activity are emerging as key factors in a country's economic growth.



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Growing competition in the global economy, the rapid renewal of production technologies and the expansion of international value chains require industrial enterprises to make effective use of their existing production potential. In these conditions, investment is an important factor in ensuring economic growth, modernizing production capacity, mastering new types of products and increasing the competitiveness of enterprises in international markets. These issues are of particular relevance for Uzbekistan in the context of the Strategy "Uzbekistan – 2030".

The aim of the study is to substantiate proposals for improving the mechanisms for attracting investment in industrial enterprises of Uzbekistan and increasing the efficiency of investment activity. The thesis analyses the role of domestic and foreign investment in the sustainable development of industrial sectors, the factors affecting investment attractiveness, the diversification of funding sources, and the opportunities for using public-private partnerships (PPP) and modern financial instruments. It also puts forward proposals aimed at evaluating investment projects, introducing digital technologies, modernizing production and increasing the economic returns on investment. The study uses methods of theoretical generalization and of comparative and structural analysis of official statistics.

MAIN PART

Developing the industrial sector, expanding the production of high value-added goods, introducing energy- and resource-saving technologies and increasing export potential are among the priority tasks of Uzbekistan's economy. To achieve these goals, attracting domestic and foreign investment into industrial enterprises, making rational use of available financial resources and increasing the economic efficiency of investment projects are of particular importance.



Research conducted worldwide in line with modern trends in the development of industry and transport gives priority attention to the problems of investment and increasing its efficiency. In this regard, research on improving the theoretical and methodological foundations of an effective investment policy for modernizing sectors (enterprises) and launching new production capacities, increasing investment efficiency with regard to internal and external factors, and targeting investment according to regional opportunities is of great importance. According to J. Dunning's eclectic (OLI) paradigm, foreign investors choose locations where ownership, location and internalization advantages are combined most favourably, and the quality of institutions forms a decisive part of location advantages [1]. A. Damodaran emphasizes that the value of any investment is determined by its expected cash flows, growth and risk, which makes discounted cash flow methods the basis for evaluating investment projects [2]. Among Uzbek scholars, D.G. Gozibekov systematized the sources and methods of financing investments [3], while A.V. Vakhabov and co-authors substantiated the forms of foreign investment and the conditions for attracting it into the national economy [4].

Investment is the process of directing financial and material resources into specific assets in order to obtain future income, production potential or socio-economic results from economic activity. In industrial enterprises, investment is mainly directed toward renewing fixed assets, establishing new production capacities, improving technologies, financing research and development, and expanding working capital. The economic essence of investment lies in spending fixed and working capital on establishing an enterprise, its reconstruction or technical re-equipment; in the case of financial investment, it consists in placing funds in shares, bonds, bank deposits and other securities, using the corresponding instruments, in order to increase the investor's financial capital [3].



The investment potential of industrial enterprises reflects their ability to attract financial resources, allocate them efficiently and implement investment projects. This indicator is directly linked to an enterprise's production capacity, technological level, management efficiency and financial stability, and it determines the enterprise's long-term development. Therefore, increasing investment potential is of great importance for modernizing industry, introducing innovations and ensuring the competitiveness of products. Investment attractiveness, in turn, depends on internal factors (financial condition, technological state of fixed assets, quality of corporate governance and transparency of reporting) and external factors (macroeconomic stability, institutional environment, tax regime and development of the financial market), which together determine the risk premium and the cost of capital for the enterprise [2].

The new system of views on the development of the economy and society involves applying new approaches to organizing and managing investment activity, taking into account that scientific developments are carried out by the creative staff of enterprises who possess the necessary professional competencies. Promoting innovative projects in enterprises is inevitably linked to investment. Studying the investment component in the activities of economic entities is a key factor of economic significance, since any investment process, regardless of the level at which it takes place (national, sectoral or regional), is ultimately brought down to the level of a particular enterprise. Therefore, the investment activity of enterprises is of great importance, especially because it puts into practice the achievements of science and practical experience, as well as the creative potential of investors and enterprise employees. All of this requires the creation of new scientific and technical developments aimed at increasing investment activity and its efficiency.



In Uzbekistan, program measures are being implemented for the qualitative development of industry and transport, ensuring their competitiveness in world markets, increasing the volume of investment, establishing mutually beneficial foreign economic relations and effectively attracting foreign capital using the experience of developed countries [4]. Uzbekistan is striving to create convenient and modern transport systems; in particular, fundamental reforms are being carried out in the railway sector. The legal basis of this policy was strengthened by the Laws "On Investments and Investment Activity" and "On Public-Private Partnership" adopted in 2019.

The results of these measures are reflected in the dynamics of investment. According to the National Statistics Committee, investments in fixed capital increased from 236.6 trillion soums in 2021 to 591.1 trillion soums in 2025, i.e. 2.5 times in current prices, with a real growth of 10.5% in 2025 alone. Industry remains the main recipient of capital: in 2025, manufacturing absorbed 160.5 trillion soums (27.2% of the total) and 33.2% of all foreign investments and loans, electricity and gas supply accounted for 13.3% and mining for 9.9%, so that industrial activities together received about half of all investments. The structure of funding sources is presented in Table 1.

Table 1 Structure of investments in fixed capital in the Republic of Uzbekistan by sources of financing, 2024–2025

Sources of financing	Volume 2025, trln soums	Growth 2025, %	Share 2024, %	Share 2025, %
Total investments in fixed capital	**591.1**	**110.5**	**100.0**	**100.0**
Centralized investments	**62.6**	**113.6**	**10.3**	**10.6**
budget funds	28.0	105.8	4.9	4.7
Reconstruction and Development Fund	2.1	68.0	0.6	0.4
foreign loans guaranteed by the Republic	32.5	127.2	4.8	5.5
Non-centralized investments	**528.5**	**110.2**	**89.9**	**89.4**
enterprises' own funds	90.3	100.8	15.9	15.3
household funds	37.5	106.2	6.2	6.3
foreign investments and non-guaranteed loans	389.6	113.2	65.7	65.9
of which: foreign direct investments	281.1	146.9	35.9	47.6
commercial bank loans and other borrowings	11.1	104.6	2.1	1.9
Memo: investments in manufacturing	160.5	–	27.0	27.2

Source: compiled by the author based on data of the National Statistics Committee of the Republic of Uzbekistan (stat.uz), January–December 2025.

The data in Table 1 reveal a pronounced imbalance in the structure of funding sources. Foreign investments and loans, including government-guaranteed ones, provide more than 71% of all investments in fixed capital, and the share of foreign direct investment rose from 35.9% to 47.6% within one year. At the same time, the share of enterprises' own funds decreased from 15.9% to 15.3%, and commercial bank loans account for only 1.9%. This indicates that internal accumulation of enterprises and the domestic financial market still play a limited role, and that industrial investment remains sensitive to external shocks, exchange-rate risk and the decisions of foreign partners.

As for the mechanisms for attracting investment in Uzbekistan's industrial enterprises, diversifying funding sources is of great importance. A variety of funding sources reduces an enterprise's dependence on a single source and helps distribute financial risks and implement long-term projects [3]. Taking this into account, we propose a conceptual model of an improved mechanism for attracting investment that integrates institutional, financial and technological blocks (Figure 1).

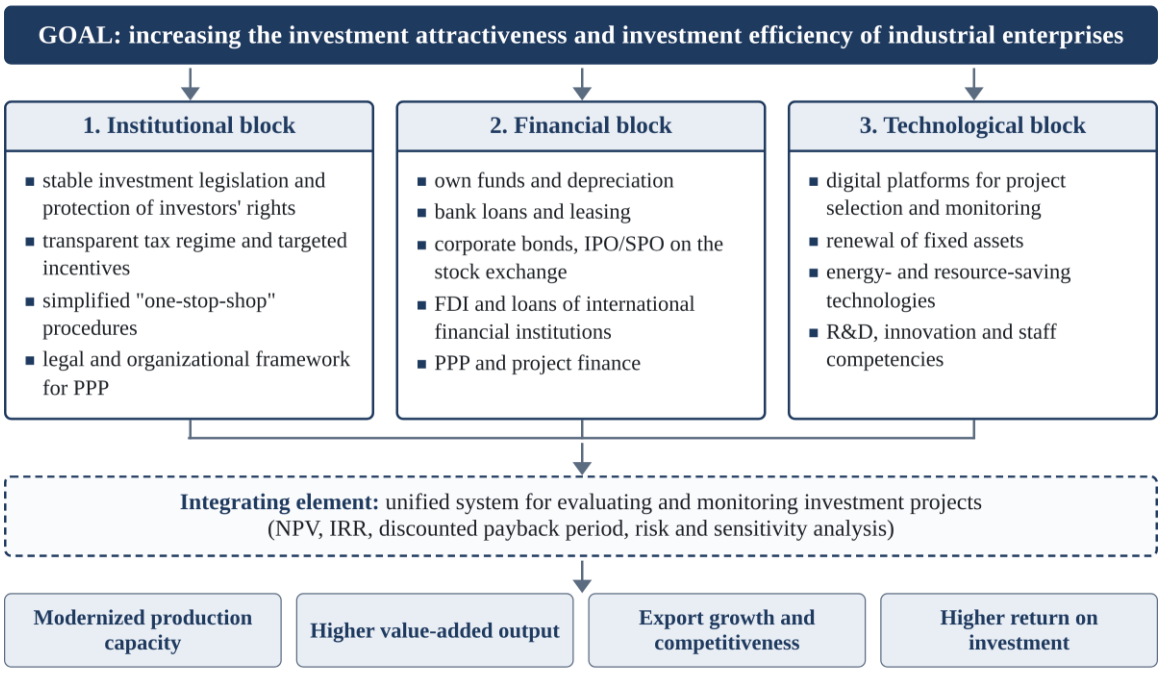


Figure 1. Conceptual model of the improved mechanism for attracting investment into industrial enterprises

Source: developed by the author.

The institutional block forms the "rules of the game": stable legislation, protection of investors' rights, a transparent tax regime, simplified procedures and a PPP

framework, which strengthen the location advantages of the country [1]. The financial block widens the range of instruments: along with own funds and depreciation, it involves bank and leasing finance, corporate bonds and share issues, foreign direct investment, loans of international financial institutions and PPP project finance. The technological block links investment with modernization through digital platforms for selecting and monitoring projects, renewal of fixed assets, energy- and resource-saving technologies and R&D. The blocks are integrated by a unified system for evaluating and monitoring investment projects based on net present value (NPV), internal rate of return (IRR), the discounted payback period and risk analysis [2]: a project is accepted only if its NPV is positive and its IRR exceeds the cost of capital, which directly connects the attraction of investment with its efficiency.

CONCLUSIONS AND PROPOSALS

The study makes it possible to formulate the following proposals for improving investment attraction mechanisms and increasing investment efficiency in the industrial enterprises of Uzbekistan:

First, funding sources should be diversified by expanding bank lending, leasing and capital market instruments (corporate bonds, IPO/SPO), which will reduce dependence on foreign borrowing and distribute financial risks.

Second, PPP and modern financial instruments (project finance, syndicated loans, green bonds) should be used more widely for capital-intensive industrial projects with long payback periods.

Third, a unified methodology for evaluating investment projects based on NPV, IRR and the discounted payback period, supplemented by sensitivity and scenario analysis, should be introduced [2].

Fourth, digital technologies should be introduced into investment management: a platform for real-time monitoring of the stages, costs and results of projects and ERP systems at enterprises.

Fifth, investment should be targeted at modernizing production and at high value-added, energy- and resource-efficient, export-oriented products, with state incentives linked to localization and export results.

Sixth, the creative potential of enterprise staff and R&D activity should be stimulated, since enterprise-level investment activity puts the achievements of science and practice into effect.

In general, improving investment attraction mechanisms in institutional, financial and technological terms is an important and promising direction for increasing the investment attractiveness of Uzbekistan's industrial enterprises, accelerating their innovative development and strengthening the competitiveness of the national economy.

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