

Activation Of The Role Of Enterprises In Attraction Of Investments From Foreign Countries

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Abstract – The study within the framework of this work is aimed at substantiating measures to enhance investment activity based on the assessment and analysis of investment decisions. In particular, the author considers the factors influencing the adoption of investment decisions. At the same time, it is shown that in order to create an attractive investment climate, a constant dialogue with existing and future investors is necessary, which allows improving the investment climate of the country and specific regions. At the same time, it is necessary to attach particular importance to the formation of an investment policy strategy aimed at individual, the most promising sectors for Uzbekistan, and to lay the foundation for the development of the country's productive forces. Improve the infrastructure of the investment market through the creation and improvement of investment institutions, increase the level of digitalization, and establish new areas of cooperation. According to the author, such measures, backed up by legislative and regulatory support from the state, will enhance the role of enterprises in attracting foreign investment.

Keywords – Investments, Investment Decisions, Infrastructure, Investment Climate, Budget Efficiency Of Investments, Investment Project, Tax Incentives.

I. INTRODUCTION

The role of investments is extremely significant for the economy of any state, however, a necessary condition for the development of growth in the competitiveness of the national economy is to attract foreign investment. The investment climate affects almost all areas of the country's activities, since the reforms cover all areas, including economic, institutional, educational, healthcare, agriculture, water supply, energy, transport and others. World experience shows that in the conditions of economic modernization, economic entities, i.e. from small to large need investment support, in particular the state.

In this regard, it becomes relevant to determine the directions for increasing the volume of investment investments attracted by enterprises. The purpose of the study was to find and scientifically substantiate measures to enhance investment activity based on an analysis of investment decisions. The reasons for the slowdown in investment activity were the low rate of accumulation, partly caused by the insufficient development of the system for transforming savings into investments, the sensitive structure of investment financing sources, as well as significant sectoral disparities in the distribution of investment resources.

Increasing investment attractiveness creates conditions for additional capital inflow, contributes to the economic recovery of the state. Foreign investment brings new technologies and modern management methods, and also helps to stimulate domestic investment aimed at the economic development of the country.

At the same time, in order to create an attractive investment climate, a constant dialogue with current and potential investors is necessary, which allows improving the created investment climate. Develop an investment policy strategy aimed at individual, the most promising industries for Uzbekistan, capable of becoming points of a technological breakthrough and laying the foundation for the development of the country's productive forces. To make efforts to attract foreign investment in the projects planned in the strategy of the investment policy of enterprises. To establish the infrastructure of the investment market by creating and improving investment institutions, reducing administrative barriers, increasing the level of digitalization, establishing new ties and areas of cooperation.

In particular, the Republic of Uzbekistan is implementing large-scale reforms in the areas of tax policy aimed at creating favorable conditions for entrepreneurial activity and improving the investment climate [Musagaliev A.J., Almardanov M.I. (2022)].

II. LITERATURE REVIEW

A significant contribution to the study of the essence and content of the investment category and the current conditions for attracting foreign investment was made by G. Alexander [Sharp W., Alexander G., Bailey J. (2011)], A.Yu.Andrianov, Z.Bodi [Body Z., Keynes A., Markus A.J. (2002)], J. Bailey, Van Duuren E. [Van Duuren E., Plantinga A., Scholtens B.]

The investment added a lot of capital to the economy, which was mostly used efficiently, contributing to Vietnam's economic growth. Their research focuses on analyzing statistical data from 1988 to 2016 on sources of funds, number of projects, sectors invested, and countries that have invested in Vietnam. The study also highlights three main factors affecting the quality of FDI attraction to Vietnam. According to the authors, these are resources, infrastructure and other support measures, it is emphasized that the support policy factor has the greatest impact [Hanh, N.P., Van Hùng, Đ., Hoat, N.T.]. In paper by Rocha, F., & Ruiz, A. U. shows that companies follow different strategies. FMC is pursuing an asset exploitation strategy, while Baker Hughes and Schlumberger are pursuing an asset growth strategy. The paper then argues that the role of the network coordinator and its technological capabilities are critical to accommodating vendor investments in R&D [Rocha, F., & Ruiz, A. U. (2012)]. The literature on the innovation economy examines the growing internationalization of R&D activities of transnational corporations. [Granstrand et al., (1993); Cantwell, (1995); Dunning, (1994); Florida, (1997)]. Foreign investment in R&D is an increasing share of TNCs' total R&D spending, while their share in total R&D efforts of host countries is also growing [Rocha, F., & Ruiz, A. U. (2012)]. According to Pîrvu, G., Gruescu, R., & Nanu, R., foreign investment in Romania, in addition to contributing to the replenishment of the country's financial resources, plays an auxiliary role for the inevitable structural transformations of the economy. Analyzing the strategies for attracting foreign investment in Romania, the study highlighted the essence of investment processes and revealed the interdependence that should exist between macroeconomic and structural policies and investment policies, a fact that stems from the amplitude of the consequences at the level of the regions of the country and the entire national economy [Pîrvu, G., Gruescu, R., & Nanu, R. (2008)].

In Uzbekistan, in our opinion, state support is also of great importance for enhancing the activities of enterprises to attract foreign investment, since so far there are not many large domestic companies capable of attracting foreign investment on their own. Therefore, state support is of great importance in attracting foreign investment in the activities of enterprises.

III. ANALYSIS AND RESULTS

The emergence of the need for investment expresses a specific area of financial relations in the sphere of microeconomics, i.e. enterprises and corporations. Therefore, it is closely related to the set of decisions taken by an entrepreneur to form and maintain an optimal capital structure (liability of the balance sheet and composition of assets) under conditions of entrepreneurial risk. Hence, the implementation of the investment scenario involves the implementation of a number of measures that stimulate the business investment activity of enterprises from the standpoint of financial investment decisions (see: Fig. 1).

To identify business activity to attract foreign investment, it is advisable to contact:

-to ensure a close relationship between investment decisions and decisions on financing investments of enterprises. These decisions should not be made separately;

- to ensure investment decisions through:

a) asset valuations;

b) ensuring the link between risk and asset value;

c) ensuring the balance of cash flows for investments. This should create conditions for the operational control of cash flows actually functioning at the enterprise;

-to finding real assets whose value exceeds the costs associated with them. At the same time, this problem should be solved by the specialists of the enterprise or employees of analytical services related to the capital market; The search for financial sources of profit in order to ensure the development of the enterprise, the most effective investment of financial resources, transactions with securities and other issues of financial management become the main ones for the financial services of enterprises to compare the costs associated with the use of the entire system of financial resources, and costs in order to extract the minimum or maximum profit [Ahrorov, Z., & Alieva, S. (2022)];

- to the decision to finance investments with:

a) improving the technology for planning, accounting and controlling cash and financial results adopted by the enterprise in a particular period [Zaynalov, D. R., & Alieva, S. S. (2015)];

b) improving debt and risk management policy;

-to financial decisions regarding short-term assets and liabilities, which must be taken in the light of investment decisions. At the same time, investment decisions should be preceded by a financial analysis of capital, i.e. own and borrowed;

Decisions on investment, debt and other aspects of the enterprise's activities should be taken in conjunction and based on current and forecast analysis data. However, they must be reflected in the financial plan of the enterprise.

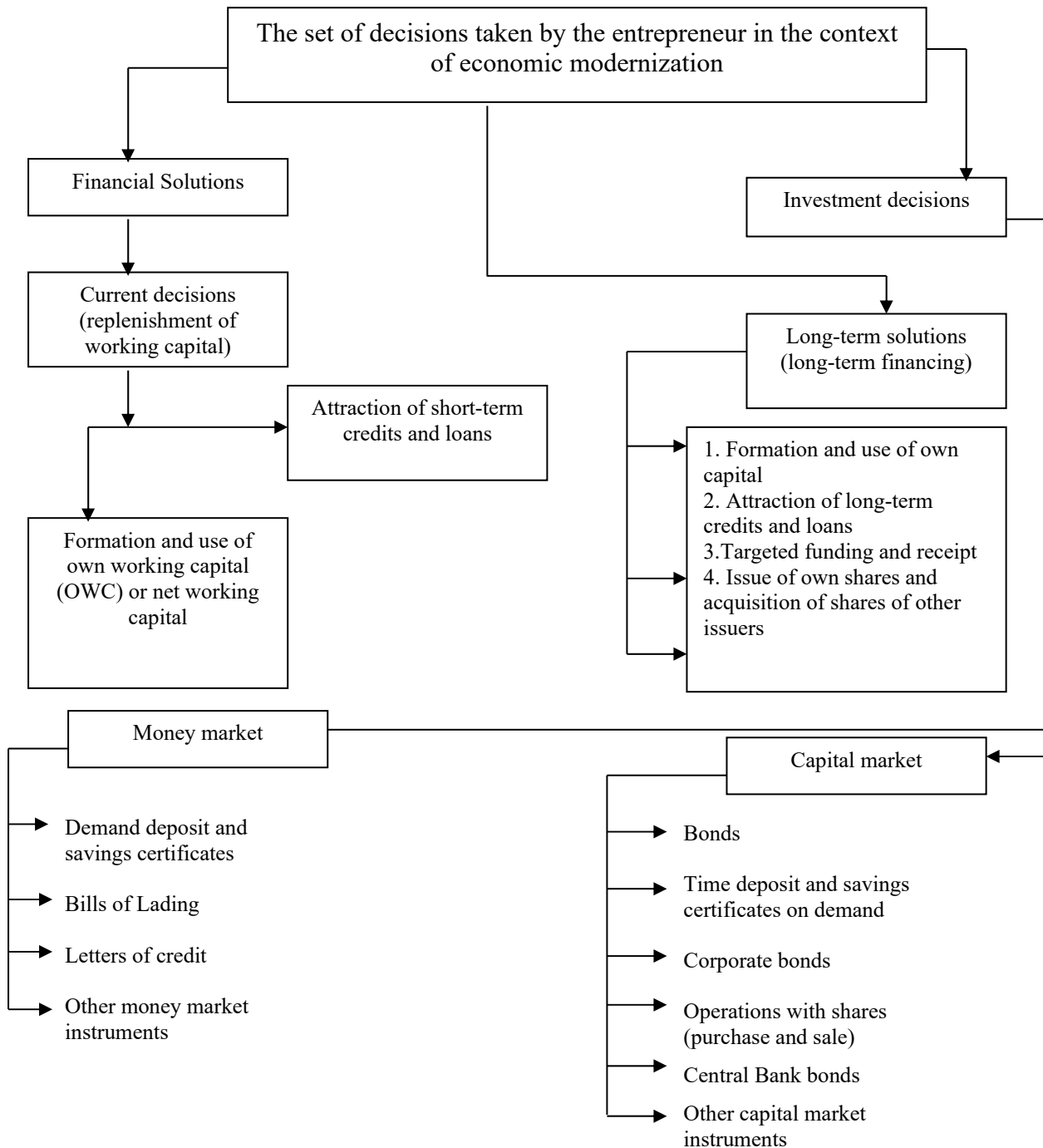


Fig.1 Scheme of financial and investment decisions

An important place for identifying business activity to attract investment should also be given to the criterion for evaluating the effectiveness of investment decisions. With this in mind, it is recommended to evaluate the following types of efficiency of investment decisions related to real investment, in particular, the effectiveness of the project as a whole and the effectiveness of participation in the project.

The first can be evaluated to determine its potential attractiveness to potential participants and to find sources of funding.

It should include:

во-первых, социально-экономическую эффективность;

во-вторых, коммерческую эффективность инвестиционного проекта. The profit motive has been introduced into the consciousness of a person from the moment of his work [Alieva, S. S. (2019)].

If the first takes into account the social consequences of the implementation of the "project" for society as a whole, including "internal" and "external" results and costs, then the result of the project may be the total income generated by it, which is available to the project participants and the state in the form of taxes.

As for the indicators of the commercial efficiency of the investment project, they should take into account the financial consequences of its implementation for the participants implementing the project (income and costs).

At the same time, the effectiveness of participation in the project should be determined in order to verify the feasibility and effectiveness of the participants in it.

It should include:

First, the effectiveness of the participation of enterprises in the project.

Second, the efficiency of investing in enterprise shares.

Thirdly, the effectiveness of participation in the project of higher-level structures.

Fourth, regional and national economic efficiency.

Fifth, industry efficiency - for individual industries and enterprises, holdings, etc.

Sixth, the budgetary efficiency of the investment project (the effectiveness of the state's participation in the investment project in terms of expenditures and revenues of budgets of all levels).

Hence, the most important criteria for making investment decisions should be:

- net profit on investment ($\sum NPI$) must exceed the amount of funds placed on a bank deposit ($\sum BD$), that is $\sum NPI > \sum BD$;

- net return on investment (ΔNRI), calculated as the ratio of net profit from investments to their total volume must be higher than the inflation rate (ΔIR т. е. $\Delta NRI > \Delta IR$);

- the profitability of a potential project, taking into account the time factor (time value of money), is higher than the net profitability of alternative projects;

- economic profitability of the company's assets ($\Delta EPofCA$) as the ratio of profits to their total volume after the project implementation increases and in any case exceeds the average bank interest rate on loans ($\Delta ABRonL$), т.е. $\Delta EPofCA > \Delta ABRonL$;

- the project under consideration must comply with the main strategy for the behavior of enterprises in the market of goods and services in terms of a rational assortment structure of production, payback periods, the availability of financial sources to cover production costs and ensure the stability of income from the project;

- safety and efficiency of the investment project in comparison with adequate investment projects.

Therefore, the main benefit from the use of these criteria by enterprises may lie in the adoption of informed investment decisions by enterprise managers. The financial manager or entrepreneur in the broad sense of the word should be responsible for

the validity of such recommendations. In addition, investment decisions should not be considered in isolation from the activities of the enterprise as a whole. They should be part of his economic strategy. Also, investment inflows of capital and their placement, taking into account the real needs of enterprises, should take into account the processes taking place in the external environment.

Despite the recommendatory proposals, our republic pays close attention to the issues of attracting foreign investment and improving the investment climate, on the solution of which depends, on the one hand, the development of the economy of the republic, and on the other, the improvement of the welfare of the people. All this requires the implementation of the whole range of measures to accelerate economic growth with the help of a large-scale influx of investments. For increasing the load on existing capacities will increase the republic's GDP. But the possibilities of public investment are limited, private investment is required - domestic and foreign, the creation of a favorable investment climate for them is paramount. In other words, the latter characterizes the degree of favorableness of the situation in the country in relation to investment. The investment climate and its assessment depend on the parameters of capital inflow and outflow, the level of inflation and interest rates, a favorable legislative framework, as well as the parameters characterizing the state's potential for the development of investments and the risk of their implementation.

Even in the conditions of the post-crisis period, a favorable investment climate has been formed, a wide system of benefits, preferences and guarantees for the protection of the rights and interests of foreign investors has been legally established. As is known, over 4,000 enterprises with foreign investments have been created and are successfully operating in the leading sectors and sectors of the economy in the republic. More than 3 billion foreign investments are used annually, mostly direct, which account for over 26.6 percent of the total investment in the country's economy. This is a concrete result of the growing interest of foreign investors in the stability and reliability of the domestic economy and the prospects for its development.

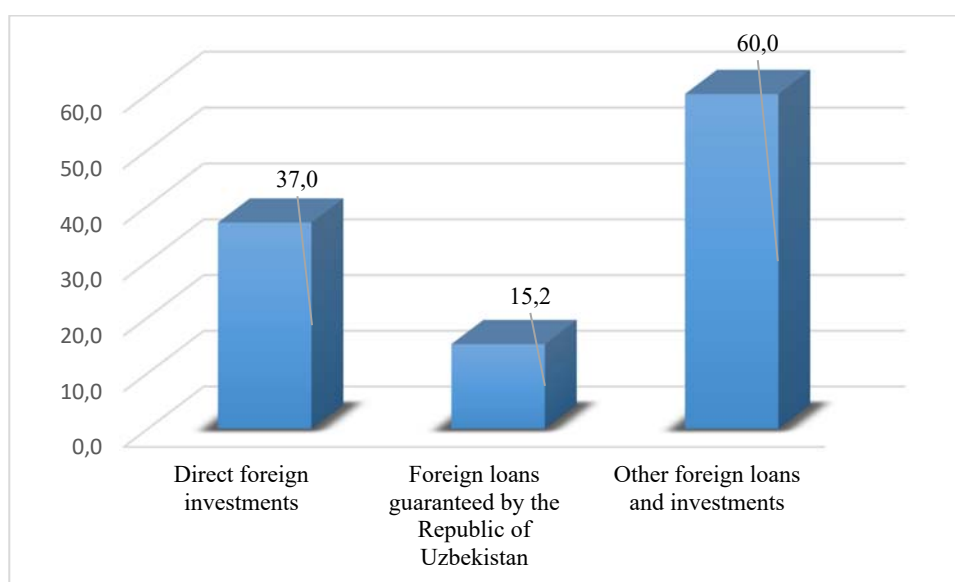


Fig. 2. Foreign investments and loans in Uzbekistan, trillion soums¹

In 2022, the volume of assimilated foreign investments and loans in fixed assets reached 112.2 trillion. soum (10.2 billion USD), or 99.0% by 2021.

The share of foreign investments and loans in fixed capital in the total amount of assimilated investments for 2022 amounted to 41.6%.

Tougher competition in the global and regional investment markets in the post-crisis period requires additional measures to create a more favorable investment climate, stimulate the attraction of foreign investment for the implementation of projects to modernize production.

¹ Data of the Agency of Statistics under the President of the Republic of Uzbekistan for 2022

Therefore, one of the important tasks of economic growth management is the transformation of possibility into reality. In order to create the most favorable investment climate for foreign investors making direct investments in the development of high-tech industries, to strengthen incentives to attract foreign investment and modern technologies, to further strengthen the system of guarantees and benefits for foreign investors and enterprises with foreign investments:

Section 21 of the Tax Code provides that tax benefits in the form of exemption from property tax, land tax, water resources tax are provided to legal entities established with the attraction of foreign direct investment and specializing in the production of goods (services) in the sector of the economy in the list, approved by the legislation.

Tax incentives are provided to organizations that attract foreign direct investment for a certain period, which varies depending on the amount of investment, when investing:

from \$300,000 to \$3 million - for a period of 3 years;

from \$3 million to \$10 million - for a period of 5 years;

above \$10 million - for a period of 7 years.

At the same time, Article 75 of the Tax Code establishes that tax incentives for certain taxes, with the exception of VAT, excise duty on manufactured and sold goods, as well as the tax on subsoil use, can be provided for by decisions of the President of Uzbekistan only in the form of a reduction in the rate to 50% for a period not over 3 years [Ahrorov, Z. (2020).]

For foreign investors, other tax benefits may also be provided, in accordance with the investment agreement concluded by a foreign investor with the Government of the Republic of Uzbekistan in accordance with the Law of the Republic of Uzbekistan "On investments and investment activities".

Also in Uzbekistan, foreign enterprises have access to a special tax regime that provides for the provision of certain tax benefits. This tax regime is available for participants in special economic zones, entities attracting foreign direct investment, etc.

Meanwhile, in practice, it is envisaged to implement, at the request of foreign investors, to create enterprises with foreign investments, low-liquid objects that are on the balance sheet of local government bodies, at a "zero" redemption value, without holding a tender, by concluding direct contracts with an investor against investment obligations.

At the same time, it is planned to simplify the visa regime (since March 1, 2019, the visa regime and the rules of stay in the country for foreign investors have been simplified: for participants in enterprises with foreign investments and members of their families, an "investment visa" is introduced for a period of 3 years with the possibility of extension, without leaving the republic; foreigners, including founders (participants) of enterprises with foreign investments, who have invested at least \$3 million in local enterprises for the production of goods and services, receive a residence permit in Uzbekistan in a simplified manner for 10 years); simplification of access to economic information necessary for the implementation of investment activities, including information on the State budget and its execution; monetary policy, foreign trade indicators and other information.

To date, in addition to this, in order to activate the attraction of foreign capital in the privatization process, the following benefits have been provided: foreign investors can purchase enterprises or blocks of shares for freely convertible currency. It is important that if the investor assumes an investment obligation, then they are formed in the form of obligations both in foreign currency and in the form of supplies of modern technological equipment; funds in foreign currency or technological equipment received by a privatized enterprise against the investment obligations of a foreign investor are not subject to taxes on income (profit) and value added.

A foreign investor has the right to invest in privatization objects by creating joint ventures on their basis. Foreign investors can receive on a competitive basis in trust management of state property with the right of its subsequent redemption by investors in installments for up to 5 years, if there is a business plan for the financial recovery of the enterprise.

There is a factor that can diversify and enhance the influx of foreign capital, or can negate the fruits of any work in the field of modernization. This factor is due to the stimulation of foreign capital inflow. This problem is not today. It can be argued that various methods are used in our republic to enhance the inflow of foreign investment.

At the same time, it should be noted that, in accordance with the Customs Code of the Republic of Uzbekistan:

- property imported into the customs territory of Uzbekistan for personal needs of foreign investors permanently residing outside the republic, in accordance with labor contracts concluded with foreign investors;

- goods imported into the customs territory by foreign legal entities that have made direct investments in the economy of the Republic of Uzbekistan for a total amount equivalent to more than 50.0 million US dollars, provided that the imported goods are products of their own production;

- goods intended for carrying out work under a production sharing agreement and imported into the customs territory in accordance with the design documentation by a foreign investor or other persons participating in the performance of work under a production sharing agreement.

Uzbekistan also provides for other preferences in the field of rights and guarantees for foreign investors. The government is taking measures to improve the investment climate on an ongoing basis, which is accompanied by changes and additions to the current legislation.

IV. CONCLUSION

Undoubtedly, these changes will provide further incentives for attracting foreign investment, especially in high-tech industries, expanding the participation of foreign companies in investment processes, creating additional incentives and conditions for investing in the modernization, technical and technological re-equipment of production.

In other words, the problem of stimulating the attraction of foreign investment is given increasing importance even in the context of regular modernization of the economy, the more it is relevant in the context of anti-crisis management. The mobilization of foreign capital in priority areas of the economy requires that stimulus targets be perceived positively, and therefore, constant information and explanatory work is needed with those who intend to allocate their capital in accordance with the needs of production.

Therefore, intensive work is being carried out among foreign investors in our republic. Also, as part of the quarterly monitoring of the fulfillment of investment obligations, a survey of investors is conducted, followed by an analysis of the problems of investors that arise in the course of the implementation of investment obligations. According to the results of the study, it was revealed that appeals are sent to the relevant departments to solve the problems identified and to take measures to eliminate bureaucratic barriers, problems of investors and protect the rights and legitimate interests of entrepreneurs.

Summing up what has been said, it follows that all conditions and guarantees have been created in the republic for the implementation of investment activities, and today the further improvement of the legislative framework in this direction continues.

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