METHODS FOR ASSESSING THE INVESTMENT POTENTIAL OF THE REGIONS OF THE REPUBLIC OF UZBEKISTAN

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METHODS FOR ASSESSING THE INVESTMENT POTENTIAL OF THE REGIONS OF THE REPUBLIC OF UZBEKISTAN

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Abstract: Investment potential is an important component of the development of the regional economic system, and the formation of investment potential is a complex and lengthy process. In this regard, the article studies the relevance of investment issues, the focus is on increasing the investment attractiveness of the region. Drawing up an investment rating for the regions of Uzbekistan is studied and applied on the basis of international experience. The factors that reduce the investment attractiveness of the region are identified, and a number of measures are proposed to increase the investment potential of the regions.

Key words: investment potential, investment attractiveness, investment risks, methods for assessing investment potential, investment grade rating.

Introduction
In the speech of the President of the Republic of Uzbekistan Mirziyoyev Shavkat Miromonovich on January 21, 2021, the results of 2020 were summed up. As a result, it was concluded that the economy of Uzbekistan avoided a recession and maintained positive dynamics. However, as a result of the consequences of the announced pandemic, there was a decrease in investment activity. The volume of investments in fixed assets decreased by 8.2%. At the same time, it should be noted that the decline is noted in centralized investments by almost 35%, mainly due to a decrease in investments from the budget by 33.6%, as well as foreign investments and loans guaranteed by the government by 28%. The volume of investments from non-centralized sources, on the contrary, at the end of the year grew by 2%, mainly due to an increase in investments at the expense of enterprises by 11.2% [11]. In this regard, the main direction in the economic sphere in 2021 will be the restoration and development of investment activities in the country.

In a market economy, the development of the state as a whole depends on the economic and social development of its regions. Due to limited resources on the ground, regional leaders should pay more attention to investment activities, on which the creation of an economic basis for solving socio-economic problems depends. This necessitates a well-grounded management of the investment attractiveness of the region, which will allow concentrating sufficient investments on its territory. For this reason, the most important factor in increasing the competitiveness of the region, creating high and stable rates of socio-economic growth is its investment attractiveness. Actions to increase investment
attractiveness are among the main activities in the implementation of strategies and programs for the socio-economic development of the regions of the Republic of Uzbekistan. This necessitates a well-grounded management of the investment attractiveness of the region, which will allow concentrating sufficient investments on its territory. For this reason, the most important factor in increasing the competitiveness of the region, creating high and stable rates of socio-economic growth is its investment attractiveness. Actions to increase investment attractiveness are among the main activities in the implementation of strategies and programs for the socio-economic development of the regions of the Republic of Uzbekistan.

Regions of the Republic of Uzbekistan differ in natural, labor, financial and other resources, as well as in different conditions created for investors by local governments. Therefore, it is very important to assess the differences between regions and compare them. This can be done using an aggregate score. This indicator is the investment potential of the region. Therefore, the development of methods for assessing this indicator is of great importance.

**Literature review**

The investment potential of the region has been studied in detail by such scientists as L. S. Valinurova, O. B. Kazakova, I. R. Gafurov, S. R. Kazantsev, L. N. Bulgakova, Yu. A. Doroshenko, G. P. Podshivalenko, N. V. Kiseleva, T. S. Khachaturov, V. P. Krasovsky and others. They investigated the theoretical and methodological foundations for managing the investment potential of regional divisions.

However, despite the significant contribution made by the listed authors, the problem of studying the investment potential of regions has not been sufficiently disclosed by both domestic and foreign authors. To date, a unified methodology for calculating the investment potential of regions has not been created, which determines the need for additional research in this area.

The economic literature contains the following terminological combinations: "investment potential"; "Investment potential"; "Potential of investment resources"; "Investment potential of the economy", etc. Terminological discrepancies found in various works distort the semantic load of the category "investment potential" and limit the possibilities of its application in the analysis of economic systems.

Thus, according to A. A. Miroedov, the investment potential of the region is the ability to obtain the maximum possible volume of the investment component of the GRP, realized through the use of investment factors of economic growth [5, P. 29-36] V. A. Sivelkin and G. S. Poltavchenko define it as a set of investment resources that make up that part of the accumulated capital that is presented on the investment market in the form of potential investment demand, capable and able to turn into real investment demand, ensuring the satisfaction of material, financial and the intellectual needs of capital reproduction [9, P. 3-5].
In their works, such scientists as N.V. Skvortsova and T.P. Rakhlis consider the investment attractiveness of regions as a set of objective economic, social and natural features, means, opportunities and restrictions that determine capital inflows and are assessed by investment activity [4].

Golaido I.M. the investment attractiveness of a region means the entire set of agreements and restrictions that will determine the movement of investments into the territory of the region and is assessed by investment activity. On the one hand, investment attractiveness is determined by investment potential, and on the other hand, by probable risks. At the same time, both investment potential and possible risks are a generalized concept of a whole complex of factors [3, P.59-68].

**Research Methodology**

In the economic literature, there are several methods for the existence of an assessment of investment potential. The main classification of groups of methods is divided into expert and economic and mathematical methods. The most famous examples of expert methods for assessing investment potential:

- BERI index;
- methodology of the Harvard school;
- methodology of the "Euromoney" magazine.

The BERI index is used for the current analysis of the economic and political situation in the country, region or region. It is determined by interviewing 100 experts in economics, sociology, law and psychology. They answer 15 questions anonymously, which are evaluation criteria. Each of these questions has its maximum specific weight as a percentage with a total of 100, is scored in points and has five options - from 0 (unacceptable) to 4. The higher the number of points scored, the lower the level of country risk.

The Harvard Business School methodology is one of the first to assess the investment attractiveness of regions; the main focus is on the risks that an investor was exposed to in a particular region. The following characteristics were evaluated:

- legal conditions for foreign and national investors;
- the possibility of exporting capital;
- the state of the national currency;
- the political situation in the country or in a particular region;
- inflation rate;
- the possibility of using national capital [7].

The methodology of the Euromoney magazine contains nine groups of indicators, which are used to evaluate:

- efficiency of the economy; the level of political risk;
- the state of the region's debt;
- inability to service debt; creditworthiness of the region;
- availability of bank lending;
available short-term financing; availability of long-term loan capital [5].

Economic and mathematical methods include methods that apply statistical estimates in points and apply integral statistical estimates. The most popular is the technique used by the Russian agency "Expert RA". In the interpretation of the rating of investment attractiveness of the regions of the Expert group, the investment potential “must take into account the macroeconomic characteristics, the saturation of the territory with production factors, consumer demand of the population and consists of seven private potentials:

1) resource and raw materials (weighted average provision with balance reserves of the main types of natural resources);
2) labor (labor resources and educational level);
3) production (the aggregate result of the economic activity of the population in the region);
4) institutional (the degree of development of the leading institutions of the market economy);
5) infrastructural (economic and geographical position of the region and its infrastructure provision);
6) financial (the volume of the tax base and the profitability of enterprises in the region);
7) consumer (aggregate purchasing power of the population of the region) ".

The investment rating is assessed by two parameters: investment potential and investment risk. Investment potential indicates the share of a region that it occupies in the state market, and investment risk indicates the problems that an investor may face in this region.

**Analysis and results**

To assess the investment potential of the regions of the Republic of Uzbekistan, we will try to apply the economic and mathematical method for determining the investment rating of regions. We will study the investment potential and investment risk in the context of the regions of the republic. As it was said, the investment potential determines which part, as a percentage, is occupied by a certain region in the market of the entire state.

Let us study in detail the shares of industrial production by region. (Fig. 1)
As you can see, the top five, in addition to the capital, include: Tashkent, Navoi, Andijan, Kashkadarya and Fergana regions.

Now let's take a closer look at what exactly they produce. Let's consider the share of regions in the structure of the manufacturing industry of the republic for January-December 2020 in percentage terms. (Fig. 2)

![Figure 1. Share of volume of industrial products by region](https://stat.uz/)

**Figure 1. Share of volume of industrial products by region**
Source: State Committee of the Republic of Uzbekistan on Statistics - https://stat.uz/

![Figure 2. Share of regions in the structure of manufacturing industry of the republic, %](https://stat.uz/)

**Figure 2. Share of regions in the structure of manufacturing industry of the republic, %**
Source: State Committee of the Republic of Uzbekistan on Statistics - https://stat.uz/
According to government statistics, some types of manufacturing dominate in different regions. The Samarkand region produces 89.9% of tobacco products throughout the republic. Printing and reproduction of recorded materials prevails in Tashkent - 85.1%. The Bukhara region produces 73.6% of coke and petroleum products throughout the republic. And in the Andijan region, 69.1% is the production of vehicles, trailers and semi-trailers.

Thus, according to this criterion, the highest potential is in such territorial-administrative regions as: the city of Tashkent, Tashkent, Andijan, Fergana and Navoi regions. Tashkent and Tashkent region are attractive to investors as urban cities. Andijan region specializes in vehicles, Fergana, Bukhara and Kashkadarya regions are centers of oil and gas production and processing industries. Navoi region has recently attracted investors as a free economic zone.

Investment risk determines the likelihood of losing investments and income from them, shows why you should not invest in a given industry, region or country. The degree of risk depends on political, social, economic, environmental, criminal situations.

Let's consider the above risks by region in more detail.

![Figure 3. Pollutants emitted into the atmosphere](https://stat.uz/)

The most "ecologically harmful" regions: Tashkent city, Kashkadarya and Bukhara regions. This is due to the high urbanization of the city of Tashkent and the development of the oil and gas industry in the Kashkadarya and Bukhara regions.
According to these indicators, Tashkent, Tashkent and Fergana regions are "in the lead".

**Conclusion/Recommendation**

Based on the above indicators, we will give an assessment of the investment potential and investment risk.

**Table 1. Assessment of regions for investment potential.**

<table>
<thead>
<tr>
<th>Regions</th>
<th>Positive evaluation</th>
<th>Negative evaluation</th>
<th>Total appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Karakalpakstan</td>
<td>0,35</td>
<td>0,35</td>
<td>0,00</td>
</tr>
<tr>
<td>Andijan</td>
<td>1,11</td>
<td>0,42</td>
<td>0,69</td>
</tr>
<tr>
<td>Bukhara</td>
<td>0,50</td>
<td>0,61</td>
<td>-0,11</td>
</tr>
<tr>
<td>Jizzakh</td>
<td>0,16</td>
<td>0,30</td>
<td>-0,14</td>
</tr>
<tr>
<td>Kashkadarya</td>
<td>0,57</td>
<td>1,19</td>
<td>-0,62</td>
</tr>
<tr>
<td>Navoi</td>
<td>1,45</td>
<td>0,44</td>
<td>1,01</td>
</tr>
<tr>
<td>Namangan</td>
<td>0,29</td>
<td>0,38</td>
<td>-0,08</td>
</tr>
<tr>
<td>Samarkand</td>
<td>0,57</td>
<td>0,73</td>
<td>-0,16</td>
</tr>
<tr>
<td>Surkhandaryia</td>
<td>0,17</td>
<td>0,25</td>
<td>-0,09</td>
</tr>
<tr>
<td>Syrdarya</td>
<td>0,20</td>
<td>0,48</td>
<td>-0,28</td>
</tr>
<tr>
<td>Tashkent</td>
<td>1,69</td>
<td>2,53</td>
<td>-0,84</td>
</tr>
<tr>
<td>Fergana</td>
<td>0,69</td>
<td>0,86</td>
<td>-0,18</td>
</tr>
<tr>
<td>Khorezm</td>
<td>0,27</td>
<td>0,23</td>
<td>0,03</td>
</tr>
<tr>
<td>Tashkent city</td>
<td>1,78</td>
<td>1,13</td>
<td>0,65</td>
</tr>
</tbody>
</table>

Source: compiled by author based on State Committee of the Republic of Uzbekistan on Statistics
Thus, the most attractive region is the Navoi region, followed by the Andijan region and the city of Tashkent.

For the most investment-unattractive regions, such as Kashkadarya, Tashkent, Syrdarya regions, the following measures are recommended:

- development of public-private partnerships;
- creation of an effective system of measures to influence the investment attractiveness of regions, taking into account the opportunities for the development of individual territories: municipalities;
- implementation of investment megaprojects in the regions;
- allocation and implementation of special zones of advanced development.

The leaders of other regions need to work to increase the positive and reduce the negative factors of the investment attractiveness of their region in order to increase its investment potential.

However, it should be borne in mind that it is not always correct to measure the investment attractiveness of regions by quantitative indicators. The most accurate assessment is given by such indicators: as the efficiency of investments and the timing of the construction of investment projects, the profitability of projects after their commissioning.

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