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WAYS TO INCREASE THE EFFICIENCY OF DEVELOPMENT OF INVESTMENT POTENTIAL IN THE REGIONS

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Abstract

The article examines the ways to eliminate problems related to ensuring the continuity of production in small business entities, as well as developed recommendations on attracting long-term investments to improve the country's investment environment and develop the regional economy.

Key words

Investment, investment potential, investment activity, investment attractiveness, investment resources, efficiency.

The development of investment potential in regional economies is a critical factor for sustainable economic growth. Efficient use of resources, attraction of investors, and targeted policy frameworks can significantly enhance a region's competitiveness and development prospects. This article outlines key strategies to improve the efficiency of investment potential development in the regions.

The issues of attracting investments, especially foreign direct investments, to the economy of the Republic of Uzbekistan and their effective use are one of the current priorities set by our government, and are set out in Article III of Decree No. PF-60 " On the Development Strategy of New Uzbekistan for 2022-2026 " "For the purpose of ensuring the accelerated development of the national economy and high growth rates ", which states:

- to further improve the investment climate in the country and increase its attractiveness, to take measures to attract 120 billion US dollars, including 70 billion dollars of foreign investments, in the next five years;

- Establishing a new system based on the "bottom-up" principle for the effective use of investments and increasing export volumes;

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It has been confirmed in the implementation of the strategy of attracting [8]foreign and local investments until 2026 .

Small business entities the investment attractiveness of the production environment indirectly affects the production process, because, first of all, the need for investments of such small business entities is always open. Also, under the influence of external factors, the investment object develops and improves.

Foreign investment as a source of financing helps to solve the problem of lack of own funds. With their effective use, the country can not only compensate for the lack of domestic investment resources, but also increase the production efficiency and competitiveness of local products by introducing the latest technologies and analyzing the advanced management experience of other countries. In addition, it is precisely the attraction of foreign investment that brings the country to world markets, establishes ties with the world economy, and helps to overcome the crisis [9].

The income from the invested investment over time equals the invested capital. This period is called the payback period of the investment. This indicator shows the efficiency of capital investments in the production sector of the economy. The payback period of the investment lasts 2-3 years in the small business sector, and up to 10-15 years in long-term investments. In the economy, there is a concept of payback period standards for the absorption of investments, which represents the average amount of the payback period of capital investments made in economic entities. In this sense, if we pay attention to the absorption of fixed capital investments in small business entities operating in the Namangan region, we can observe that it has been growing over the years (Figure 1).

[8] Decree of the President of the Republic of Uzbekistan No. PF-60 dated January 28, 2022 " *On the Development Strategy of New Uzbekistan for 2022-2026* "

[9] Hanzyuk MS, Yakubovska AO Investment climate in Ukraine: the realities of the political crisis. Collection of scientific articles of the International scientific and practical conference "Problems of socio-economic development of entrepreneurship", Montreal, November 28, 2014, pp. 45–49.

Figure 1. Amount of investment in small business entities of Namangan region

According to this data , the volume of investment absorbed by small business entities in Namangan region in 2015 was was equal to 21.9%, compared to the base year in 2022 , the volume of investment It increased by 12.6 percent. This indicates that the scale of investment in our country has increased in general. However , in 202 1 , compared to 2019 , it decreased by 13.2 percent and in 202 2 by 11.4 percent. The reason for this negative result can be explained by the fact that due to the coronavirus pandemic that has occurred around the world, the inflow of funds or tangible assets equivalent to investment has decreased and the decline in the picture of domestic investments has been due to the redirection of state budget expenditures to social protection.

The opportunities and incentives that small businesses need to invest effectively, create jobs, and expand can be monitored through their impact on expected profitability. This profitability is affected by the costs, risks, and competitive barriers associated with certain opportunities. Each factor is independently important, and all three are interconnected. Some risks can be avoided by reducing major costs.

A necessary condition for ensuring economic growth, the development of society as a whole and small business entities is the re-introduction of material wealth into the production cycle, which ensures the growth of national income. Today, given the obsolescence of the production base, the problem of updating the fixed capital of industrial enterprises is particularly urgent, and the need to attract long-term investments for the purchase of the latest equipment and the introduction of technological innovations is increasing. This problem is closely related to the problem of creating a favorable investment climate at all levels of the economic hierarchy - from individual enterprises to the national economy.

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1. Creation of a Favorable Investment Climate

A favorable investment climate encourages both domestic and foreign investors to explore opportunities within a region. To achieve this:

• **Transparent Regulatory Policies**: Streamlined, clear, and investor-friendly regulations reduce bureaucratic hurdles. Governments should focus on reducing unnecessary red tape and ensuring consistency in policies. This builds trust among investors and minimizes operational risks.

• **Incentives and Tax Breaks**: Providing tax relief, subsidies, and other financial incentives attracts investments. Regions can design industry-specific incentives to encourage investments in priority sectors, such as renewable energy, technology, or agriculture.

• **Improved Infrastructure**: Ensuring access to high-quality transportation, communication, and energy infrastructure supports investor confidence. Efficient infrastructure reduces logistics costs, enhances supply chain reliability, and improves market accessibility for businesses.

• **Political and Economic Stability**: A stable economic and political environment builds investor confidence. Addressing corruption, maintaining fiscal responsibility, and upholding the rule of law are essential elements.

Key Action Points:

• Simplify licensing and permit issuance procedures to reduce wait times.

• Introduce digital platforms for investor facilitation to improve ease of doing business.

• Develop public-private partnerships (PPP) for infrastructure projects to ensure cost-efficiency and expertise.

• Ensure strong institutions that provide investor support and resolve disputes efficiently.

2. Enhancing Regional Competitive Advantages

Each region has unique strengths and resources that can be leveraged to attract investments.

• **Resource Mapping**: Identify and promote the natural, industrial, and human resources unique to the region. Comprehensive resource assessments allow policymakers to tailor promotional efforts for specific opportunities.

• **Sectoral Focus**: Target key sectors such as agriculture, manufacturing, tourism, or technology that hold growth potential. For example, regions with rich agricultural land can promote food processing industries, while those with cultural assets can focus on tourism.

• **Innovation Hubs**: Establish special economic zones (SEZs), industrial clusters, or innovation parks to encourage business growth. SEZs can provide tax incentives, simplified regulations, and advanced infrastructure to attract large-scale businesses.

- **Sustainable Development Practices**: Promote green industries and eco-friendly initiatives to appeal to socially responsible investors.

Key Action Points:

- Conduct regional SWOT analyses to identify strengths and opportunities that align with investor needs.
- Support start-ups and small-medium enterprises (SMEs) through incentives, mentoring, and innovation grants.
- Highlight regional opportunities in investment roadshows, conferences, and global trade expos.
- Collaborate with industry leaders to define competitive growth strategies for each sector.

3. Strengthening Human Capital

A skilled workforce is a cornerstone of regional investment growth. To achieve this:

- **Education and Skills Development**: Invest in vocational education, training centers, and technical universities tailored to industry needs. Upskilling and reskilling programs help adapt the workforce to changing industry demands.
- **Workforce Mobility**: Foster collaboration between regions to exchange talent and best practices. Facilitating mobility ensures industries can access specialized labor regardless of geographic boundaries.
- **Entrepreneurship Support**: Provide training, incubation programs, and seed funding for entrepreneurs to innovate locally. Encouraging entrepreneurship creates a dynamic ecosystem that attracts venture capital and new investments.
- **Industry-Academia Collaboration**: Strengthen partnerships between educational institutions and businesses to align curriculum development with real-world industry demands.

Key Action Points:

- Partner with private sectors for workforce training programs focused on emerging industries.
- Develop skill enhancement programs aligned with regional industry demands, such as advanced manufacturing, IT, or renewable energy.
- Create platforms for entrepreneurial collaboration, including networking events and start-up accelerators.
- Provide scholarships, apprenticeships, and on-the-job training for critical industries.

4. Implementation of Advanced Technologies

Adopting modern technologies can increase operational efficiency and make regions more attractive for investment.

- **Digital Transformation**: Implement e-governance and smart city projects to improve service delivery. Digital tools streamline processes, enhance transparency, and reduce corruption.
- **Green Technologies**: Encourage sustainable practices and clean energy projects to attract ESG (Environmental, Social, and Governance) investors. Promoting solar energy, wind power, and waste management projects enhances long-term sustainability.
- **Data-Driven Decision Making**: Utilize big data and AI to analyze investment trends and regional needs. Data insights help governments identify priority sectors, monitor development projects, and address gaps in investment frameworks.
- **Automation and Industry 4.0**: Encourage industries to adopt smart manufacturing technologies such as IoT, AI, and robotics to boost productivity.

Key Action Points:

- Promote digital literacy and automation in industries to prepare for the digital economy.
- Launch pilot projects to showcase successful technology adoption that investors can replicate.
- Support research and development initiatives in collaboration with universities and private enterprises.
- Implement digital platforms for monitoring and evaluating public investment projects.

5. Strengthening Financial Infrastructure

A robust financial system ensures that businesses have access to the necessary funds for expansion and innovation.

- **Regional Investment Funds**: Create dedicated funds to support key regional industries and projects. These funds can co-invest with private firms to reduce investment risks.
- **Access to Credit**: Improve access to financing for SMEs, start-ups, and large enterprises through microloans, venture capital funds, and low-interest loans.
- **Investment Promotion Agencies**: Establish agencies to facilitate and promote regional investments globally. These agencies act as intermediaries between governments and investors.
- **Financial Inclusion**: Encourage digital banking services, mobile payment systems, and fintech solutions to increase financial accessibility.

Key Action Points:

• Introduce regional development banks to fund critical infrastructure and industry projects.

• Foster partnerships with international financial institutions to attract capital inflows.

• Develop credit guarantee schemes for small businesses to reduce financing risks.

• Promote fintech innovations to ensure better access to financing for underserved communities.

Conclusion

Increasing the efficiency of developing investment potential in regions requires a multi-faceted approach that combines policy reforms, human capital development, technology adoption, and targeted promotion strategies. By leveraging their unique strengths, regions can attract sustainable investments, foster economic growth, and improve living standards. Governments, businesses, and other stakeholders must collaborate to create a conducive environment for long-term investments and development.

FINAL RECOMMENDATIONS:

1. Develop and maintain transparent investment policies that prioritize investor needs.
2. Focus on infrastructure, technology, and innovation to attract modern industries and reduce operational costs.
3. Build a skilled workforce by investing in education, skills training, and entrepreneurship.
4. Promote regional advantages through strategic branding, targeted marketing, and investor outreach.
5. Strengthen financial systems to improve access to capital for businesses of all sizes.

By implementing these strategies, regions can unlock their full investment potential and drive economic prosperity on a sustainable path.

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