



IMPACT OF FOREIGN INVESTMENTS ON THE ECONOMY

Ruzibayeva Nargiza Khakimovna

Samarkand Institute of Economics and Service,
Associate Professor of the Department of Investment
and Innovations, PhD

Atoyeva E'zoza Matkarim qizi

Samarkand Institute of Economics and Service,
Student of the Faculty of Economics

Abstract: *The article analyzes the trends of foreign investment in the economy of Uzbekistan in recent years and their impact on economic development, job creation, technological modernization and export potential. The study shows the cross-sectoral impact of foreign investment, its role in reducing interregional economic disparities and increasing production efficiency. It also emphasizes the importance of state policy and financial incentives in attracting investment. As a result, the effective direction of foreign investment serves to ensure Uzbekistan's long-term economic development and competitiveness in global integration.*

Key words: *Foreign investment, national economy, economic growth, job creation, technological modernization, export potential.*

Introduction. Foreign investments are considered an important tool in the process of sustainable development of the national economy and integration into the global economic system. They allow not only to attract financial resources, but also to introduce new technologies, advanced management experience and expand effective ties with international markets. At the same time, foreign investments perform such economic tasks as increasing national production potential, expanding export opportunities and creating jobs.

After Uzbekistan gained independence, attracting foreign investments within the framework of the policy of economic reforms and openness has become one of the priority areas of state policy. In recent years, laws and regulatory documents adopted by the Government of Uzbekistan are aimed at encouraging the attraction of foreign investors, and include tax incentives, land allocation, and a simplified system of licenses and permits for foreign capital. This, in turn, significantly increases the inflow of foreign investments into the country's economy.

According to statistics, foreign investments in the economy of Uzbekistan in 2020-2024 were mainly directed to the energy, industry, agriculture and services sectors. At the same time, these investments had a significant impact on reducing interregional economic disparities, supporting local producers and entrepreneurs, as well as creating new jobs. For example, through investments in the energy and manufacturing sectors, the country's technological base has expanded, production processes have been modernized, and efficiency has increased.

Foreign investments also serve to increase the country's export potential. Enterprises established with foreign capital help produce high-quality products and expand ties with international markets. This, in turn, contributes to an increase in national currency earnings, strengthening the foreign trade balance, and ensuring economic stability. At the same time, it is important to scientifically analyze the impact of foreign investments on the economy, determine their effectiveness, and formulate future investment policies. Through a thorough study of the impact of foreign investments on the economy of Uzbekistan, the country's strategic development directions can be determined, economic

growth rates can be increased, and international competitiveness can be strengthened.

This article provides a detailed analysis of the growth trends of foreign investment flows in recent years, their impact on various economic sectors, their role in job creation, technological transfer and contribution to export opportunities. At the same time, the article also examines the impact of foreign investment on the country's economic stability and future strategic directions.

Literature review. "The issue of foreign investment and its impact on the national economy is one of the most relevant topics that is constantly being studied in economic research. Research scholars analyze foreign investment in several key areas, such as economic growth, job creation, technological modernization, and increasing export potential"¹.

"Research on foreign investment in Uzbekistan shows the impact of foreign investment on the country's economy on a sectoral basis"². These sources emphasize that foreign investments play an important role in increasing economic efficiency, modernizing production processes and introducing innovative technologies in the energy, industrial and service sectors. They also create jobs, support local enterprises and increase exports.

"International studies also widely analyze the impact of foreign investments on the economies of developed and developing countries. According to scientists, through foreign investments, advanced management experience and technologies enter national production, increase production efficiency and strengthen international

¹ Borensztein, E., De Gregorio, J., & Lee, J.-W. Journal of International Economics, 45(1), 115–135.

² Abduvaliyev, S. O'zbekiston iqtisodiyotida xorijiy investitsiyalarning sektoral ta'siri. Tashkent: Iqtisodiyot va moliya nashriyoti.

competitiveness.” At the same time, they serve to expand export opportunities, increase foreign exchange earnings and ensure economic stability.

Foreign investment plays a significant role in the global economy and is the main mechanism through which developing countries can obtain the necessary resources to stimulate their economic growth and development. This includes foreign direct investment, portfolio investment and other financial injections from abroad. Foreign direct investment, in particular, involves not only the provision of capital, but also the transfer of technology, management skills and know-how, which are crucial for the modernization of production in developing countries.

Foreign investment significantly increases employment, as new businesses require a workforce, which helps to reduce unemployment and improve living standards. Such investment is usually accompanied by infrastructure upgrades, which have a positive impact on economic activity in the region. For example, the construction of new roads, ports and energy facilities increases logistics efficiency and reduces the cost of transporting goods (Figure 1).

The importance of considering all types of foreign investment for the development of a country's economy cannot be underestimated, as these investments play a significant role in shaping a stable and prosperous economic system.

FOREIGN INVESTMENTS	DESCRIPTION	EXAMPLES
Foreign direct investment	Investments involving the investor's control over assets in another country	Building a factory, buying a company
Portfolio investments	Investments in financial assets (stocks, bonds) that do not involve control over the enterprise	Building a factory, buying a company
Loans and debts	Financing provided by foreign banks or institutions for business development	Long-term loans for infrastructure development
Operating lease investments	Investments in long-term leased assets	Leasing of production equipment
Joint ventures	Joint business initiatives involving risk sharing between local and foreign companies	Production of goods together with a local partner
Humanitarian and social investments	Investments aimed at social development and improving the living conditions of the population	Education and healthcare projects
Infrastructure investments	Investments in the construction and modernization of infrastructure facilities	Education and healthcare projects

Figure 1. Types of foreign investments

Foreign direct investment provides not only financial resources, but also technology, management skills, and access to new markets, which helps to increase the competitiveness of local enterprises. Portfolio investment, although less sustainable, can have a significant impact on

the development of financial markets, stimulating their growth and innovation³.

Loans and advances from international financial institutions allow countries to raise the necessary resources for infrastructure projects and social programs that improve the living standards of the population and stimulate economic growth.

Joint ventures between domestic and foreign companies open up opportunities for the exchange of experience and resources, which increases the overall level of development of economic sectors. Consideration of humanitarian and social investments aimed at improving social conditions, education and health care is essential for achieving sustainable development. Investments in infrastructure, in particular, help reduce the costs of doing business, increase its efficiency. A comprehensive consideration of all types of foreign investment allows countries not only to ensure economic growth, but also to develop social institutions, increase the general level of well-being of the population. This emphasizes the importance of creating a favorable investment climate that attracts foreign capital and contributes to the harmonious development of the entire economy.

In the context of Uzbekistan, the contribution of foreign investment to the country's territorial development, economic integration, and sustainable growth rates is of particular importance"⁴. Research shows that foreign investment serves as an important tool for reducing interregional economic disparities, creating new jobs and modernizing

³ Makoni P.L. (2020). Foreign portfolio investments, exchange rates and capital openness: A panel data approach. International Journal of Economics & Business Administration 8(2), 100–113.

⁴ Rasulov T. Xorijiy investitsiyalarning O'zbekiston iqtisodiyotidagi hududiy rivojlanishga ta'siri. Tashkent: Ilmiy nashrlar.

production processes. At the same time, the effective attraction of investment is closely related to state policy, tax and financial incentives, as well as the availability of a regulatory framework.

This literature review shows that foreign investment has a significant positive impact on various sectors of the national economy. Their effectiveness is closely related to state policy and the inter-sectoral distribution of investments, and their in-depth study and the formation of strategic economic policy are important for the sustainable economic development of Uzbekistan.

Research methodology. This study examines the dynamics of growth of fixed capital and foreign investments in the economy of Uzbekistan over the past five years. The main goal of the study is to determine the growth rate of investment volumes, analyze their trends, and assess the economy's potential for attracting investment.

Analysis and results. Over the past five years, the volume of foreign investments in the economy of Uzbekistan has grown significantly, which clearly demonstrates the country's attractiveness in attracting investment and the level of economic stability. According to the results of the first nine months of 2025, 443.6 trillion soums were spent - 15.2% more than last year. Data for the first nine months show that the current trend looks stable against the background of a moderate budget policy.

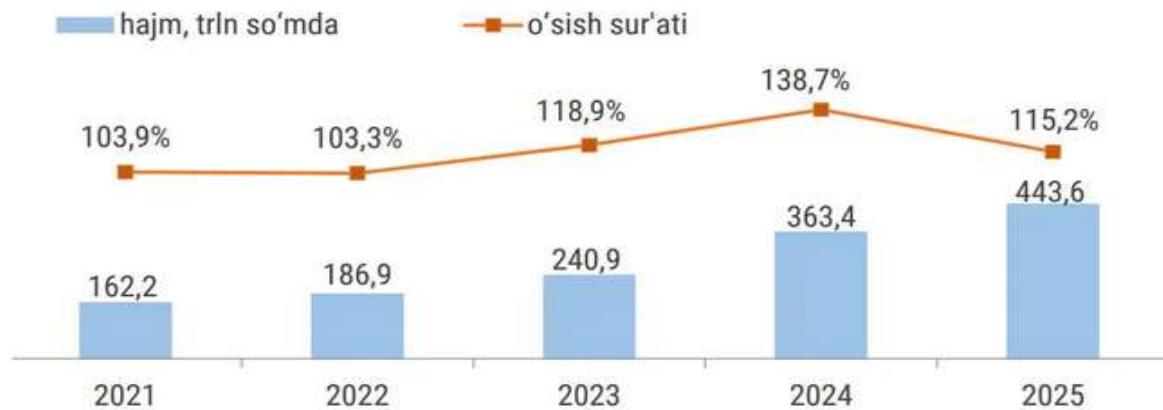


Figure 2. Dynamics of fixed capital investment

In January-September 2025, the volume of investments in fixed capital from all sources of financing amounted to 443,613.6 billion soums, an increase of 115.2% compared to the same period of the previous year. At the same time, the share of investments made at the expense of enterprise funds in the total volume of investments in fixed capital was 15.9%, foreign loans guaranteed by the Republic of Uzbekistan - 5.2%, loans from commercial banks and other borrowed funds - 2.0%, foreign direct investments and loans - 66.5%, of which foreign direct investments (FDI) - 41.3%, population funds - 5.9%, the Republican budget - 4.2%, the Fund for Reconstruction and Development - 0.3%.

The main sources of financing the high growth rates of fixed capital investments in 2024 compared to the corresponding period are: foreign direct investments (FDI) - 148.9%, foreign loans guaranteed by the Republic of Uzbekistan - 117.2%, the budget of the Republic - 110.7%, funds of the population - 105.6%, foreign direct investments and loans - 117.0%, funds of enterprises - 114.5%, loans of commercial banks and other borrowed funds - 108.9%.

Over the past five years, the growth rate of foreign investments in the economy of Uzbekistan has been volatile. For example, in 2020 the

growth rate was 104.6%, while in 2021 it decreased slightly to 97.8%. At the same time, growth resumed in 2022, reaching 115.2 percent, and as a result of the ongoing trend, the growth rate is 174.5 percent. These figures clearly demonstrate the steady growth of foreign investment, as well as the attractiveness of the country's economy in attracting investment.

The analysis shows that investments are mainly directed to the energy, industry, agriculture and services sectors, which play an important role not only in increasing production efficiency, but also in creating new jobs, reducing interregional economic disparities and expanding national export potential. For example, investments in the energy and manufacturing sectors have stimulated technological modernization, made it possible to produce high-quality products and expand ties with international markets.

Also, success in attracting foreign investment is directly related to state policy, tax and financial incentives, and a simplified system of licenses and permits. Their orientation to strategic sectors allows ensuring long-term stability of the economy, supporting national producers and increasing competitiveness.

Analyzing the results of the study, it can be argued that foreign investment has great potential to stimulate economic growth in developing countries, but this is possible only if an integrated approach is used to attract and manage it. Encouraging foreign investment should be carried out in conjunction with efforts to strengthen domestic economic conditions in order to maximize its positive impact on economic growth. The results of the study confirm that countries with open economies that actively attract foreign investment usually demonstrate

high economic growth rates, since foreign investors bring not only financial resources, but also the latest technologies, management practices, and access to international markets. Therefore, their further stimulation and strategic orientation are important for the sustainable development of the country's economy.

Conclusions and recommendations. In recent years, the volume of foreign investment in the economy of Uzbekistan has increased significantly, strengthening the country's attractiveness for investment and economic stability. Foreign investment has made a significant contribution not only to increasing production efficiency and stimulating technological modernization, but also to creating jobs, reducing interregional economic disparities, and expanding national export potential. At the same time, state policy, tax and financial incentives, and a simplified system of licenses and permits directly affect the success of attracting foreign investment. In order to effectively attract foreign investment and direct it to strategic areas, it is necessary to strengthen economic incentives by the state, attract it to areas with technological modernization and high added value, reduce interregional disparities, and regularly monitor the effectiveness of investments. It is also important to strengthen public-private cooperation and stabilize the investment climate by attracting international experience. In this way, foreign investment will be a decisive factor in Uzbekistan's long-term economic development, increased competitiveness, and successful participation in global integration.

References

1. Borensztein E., De Gregorio J., & Lee J.-W. (1998). How Does Foreign Direct Investment Affect Economic Growth? Journal of International Economics, 45(1), 115–135.
2. Dunning J. H. (1993). Multinational Enterprises and the Global Economy. Addison-Wesley.
3. Alfaro L., Chanda A., Kalemli-Ozcan S., & Sayek S. (2004). FDI and Economic Growth: The Role of Local Financial Markets. Journal of International Economics, 64(1), 89–112.
4. UNCTAD. (2022). World Investment Report 2022. United Nations Conference on Trade and Development.
5. State Statistics Committee. (2024). Annual report on foreign investments in the Republic of Uzbekistan. Tashkent.
6. Abduvaliyev S. (2021). Sectoral impact of foreign investments in the economy of Uzbekistan. Tashkent: Publishing House of Economics and Finance.
7. Rasulov T. (2020). Impact of foreign investments on regional development in the economy of Uzbekistan. Tashkent: Scientific publications.
8. Ministry of Investment and Foreign Trade of the Republic of Uzbekistan. (2023). Strategy for attracting foreign investments. Tashkent.