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INCREASING THE INVESTMENT POTENTIAL IN ENSURING THE ECONOMIC GROWTH OF THE REGIONS (ON THE EXAMPLE OF THE REPUBLIC OF UZBEKISTAN)

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ANNOTATION

The article is devoted to the study of scientific views on the investment potential of the regions, the assessment of the impact of investments on economic growth in the regions and the development of proposals to increase the investment potential. It calculates the influence of investments on the economic growth of regions using the coefficient of elasticity of econometric models.

Keywords: region, investment potential, economic growth, elasticity coefficient, regional policy, concept, source of funding.

INTRODUCTION

In the countries of the world, sustainable and balanced development of regions, effective use of the existing investment potential are considered as the most important factors of economic growth. One of the main reasons for this is the growing socio-economic gap between regions. In developed countries, “the average gap by real GDP per capita between regions with the highest and lowest 10 percent for 2010-2020 was 1.7 times, and in developing countries it was 3.2 times”. Under certain circumstances, the difference between territories within countries in terms of economic potential becomes larger than the difference between countries. Therefore, in the context of increased international competition in ensuring the balanced development of the country's regions, the implementation of a rational investment policy is of great importance. The experience of foreign countries shows that a balanced increase in the investment potential of the regions is an important area of regional economic policy.

Decree of the President of the Republic of Uzbekistan dated May 14, 2019 No. UP-5717 “On measures for the transition to a qualitatively new system for the formation and implementation of the Investment Program of the Republic of Uzbekistan”, Decrees of the President of the Republic of Uzbekistan dated August 8, 2017 No. PP-3182 “On priority measures on ensuring the accelerated socio-economic development of the regions", dated June 20, 2018 No. PP-3794 "On additional measures for the accelerated implementation of investment and infrastructure projects", dated May 1, 2020 No. PP-4702 "On the introduction of a rating system for social - economic development of the regions” and other regulations in this area serve to increase the investment potential of the regions.

LITERATURE REVIEW

The issue of the investment potential of the regions is also reflected in many scientific studies. According to the economist of Uzbekistan A.M. Sodikov, the investment potential of a region is

determined by its natural resources, production, consumption, infrastructure, innovation, labor, institutional and financial potential [3]. According to his research, only a comprehensive consideration of the natural, economic, demographic, environmental and other conditions of the region can achieve the expected effect of attracting capital and direct it to the rapid development of the economy. According to A.M. Margolin, investment potential is a set of investment resources that are more or less ordered, the use of which provides a synergistic effect, the effectiveness of an object as a result of the interaction of various factors. The effect of this effect is greater than the sum of the effects of individual factors on the object [4].

S.A. Trukhin proposes to determine the investment potential by assessing the potential of the labor force, consumption, production, financial, institutional, innovative, infrastructural and natural resources [5]. Another economist D.D. Dengin considers the investment potential as a macroeconomic characteristic of the region, including such factors as economic and geographical conditions, the saturation of the region with production factors, the standard of living of the population, and their consumer demand [6]. Economists such as C. Guadalupe and G. Castro in their studies determined income levels (GDP per capita, real average wages), market size (GDP, population) and human capital (public spending on education per capita, level education), infrastructure (transport and communication costs per capita, number of fixed telephones per capita), geographic location (distance from the regional center to the capital, distance from the regional center to the nearest intersection) as the main indicators influencing the potential of foreign investment to Mexico [7].

In another source, the problems of regional economic growth, unemployment, and the movement of production factors between regions located at different distances from each other are the subject of analysis of regional macroeconomics using a set of econometric models and help to understand the nature of regional processes and formulate an appropriate regional economic policy [8].

In Western literature, along with the concept of "investment potential", the concepts of "investment environment" and "investment attractiveness" are often used to describe investment activities. Economists K. Head and T. Mayer in their study analyzed the market potential and location of Japanese investment resources in the European Union [9]. According to them, the most important factor influencing the choice of investment location is demand. In particular, according to their research, a 10% increase in market potential in a particular region will increase its choice by investors by 3-11%, depending on the characteristics of the region.

Authors such as A. Okhotina and O. Lavrinenko cite political, legal and environmental conditions as factors influencing the investment climate. [10]. S.Radukits and J.Stankovits used the criteria of twelve groups in their study to assess the business environment in the regions of Serbia: the need for a strategic approach to local economic development, organizational capacity to support the economy, the presence of ongoing cooperation and links with local businesses, the effectiveness of building permits, full provision of business information, investment and marketing support in the region, creditworthiness and financial stability, employment support and human resources development, strengthening of public-private partnerships, appropriate infrastructure and reliable public services, open and stimulating policy of local payments, taxes and fees, implementation information technologies.

Hyuksu Cho and Yeongseok Ha listed the most important factors in attracting foreign investment to the Korean port of Pohang Yeongil, such as the government's incentive policy, the presence of free trade zones, the development of industrial clusters, transport networks, information and communication technologies [12].

MAIN PART

The volume of investments attracted to the economy of Uzbekistan in 2020 amounted to 202 trillion. soums, the growth rate was 91.8% compared to last year and had a downward trend. In 2010-2019, an average of 52.7% of investments in fixed assets in the country fell on the share of four territories - the city of Tashkent, Kashkadarya, Bukhara and Tashkent regions. Among the regions, the capital Tashkent has the largest share in the structure of investments in the country's economy (an average of 19.7% over the analyzed period), which amounted to 20.6% in 2010-2013, 17.6% in 2014-2016. and 20.7% in 2017-2019 (Table 1). However, in 2010-2019, Tashkent accounted for an average of 7.7% of the country's population and an average of 14.7% of GDP. This shows that investments in the city of Tashkent have a larger share than the size of the economy and the population of the capital. Although the Kashkadarya and Bukhara regions accounted for 7.7% and 5.6% of the economy of the republic and 9.5% and 5.8% of the population, respectively, investments in them amounted to 13.1% and 10.5% of the total investment in the country .

In 2019, in the structure of investment sources, 29.3% or funds in the amount of 55.6 trillion soums. were invested at the expense of own funds of enterprises, organizations and the population, 70.7% of sources or more than 134.3 trillion soums was provided at the expense of borrowed funds.

Table 1 Distribution of investments in fixed assets in Uzbekistan by regions in 2010-2019, average %

№	Name of regions	2010-2013 y.	2014-2016 y.	2017-2019 y.	2010-2019 y. on average
Regions with the highest share					
1	Tshkent city	20,6	17,6	20,7	19,7
2	Kashkadarya	11,9	13,6	14,2	13,1
3	Bukhara	11,1	10,3	9,7	10,5
4	Tashkent region	10,0	9,5	8,6	9,4
Regions with an average share					
5	Navoi	7,9	4,9	8,1	7,1
6	Republic of Karakalpakstan	5,3	11,0	4,6	6,8
7	Samarkand	6,3	6,6	5,4	6,1
8	Fergana	6,2	5,2	4,4	5,3
Regions with a relatively low share					
9	Namangan	3,5	4,9	5,9	4,6
10	Surkhandarya	3,9	3,9	5,6	4,4
11	Andijan	4,4	4,0	3,9	4,1
12	Khorezm	3,1	3,4	2,9	3,1
13	Jizzakh	2,9	2,7	3,1	2,9
14	Syrdarya	2,8	2,5	2,5	2,6

Source: Calculated based on data from the State Statistics Committee of the Republic of Uzbekistan.

In that year, almost 50.7 trillion. soums were allocated from centralized funding sources initiated and under the influence of the state, which is 26.6% of the total investment. The share of centralized investment in 2019 decreased by 5.5% compared to the previous year due to the strengthening of the initiative of the private sector to attract investment.

The results of econometric assessments of the impact of investments on economic growth in determining their effectiveness also allow us to draw clear conclusions (Table 2). Thus, the impact of growth rates of investments in fixed assets on GDP growth rates in 14 regions of Uzbekistan in 2000-2020 was estimated using regression functions based on a panel database.

Table 2. Results of an econometric assessment of the impact of investments on economic growth in the regions of Uzbekistan

Dependent variable (grp_growth) – production growth in the regions							
Независимые переменные (independent variable)		Elasticity coefficients					
		Lag for 1 year		Lag for 2 year		Lag for 3 year	
		Random effects GLS regression	Fixed effects (within) regression	Random effects GLS regression	Fixed effects (within) regression	Random effects GLS regression	Fixed effects (within) regression
C	constant	104.8489 (*1.223885) (**85.67) (***0.000)	104.8084 (*1.160727) (**90.30) (***0.000)	104.6087 (*1.227492) (**85.22) (***0.000)	104.595 (*1.161363) (**90.06) (***0.000)	101.5541 (*2.189705) (**46.38) (***0.000)	101.5344 (*2.172638) (**46.73) (***0.000)
In_gr	Growth rate of total investment in each region	0.0241959 (*0.0098802) (**2.45) (***0.014)	0.024554 (*0.0099607) (**2.47) (***0.015)	0.0255824 (*0.0096373) (**2.65) (***0.008)	0.0256999 (*0.0096902) (**2.65) (***0.009)	0.0526826 (*0.0186226) (**2.83) (***0.005)	0.0528552 (*0.0188195) (**2.81) (***0.006)
R-squared: within		0.0519		0.0596		0.0663	
R-squared: between		0.0016		0.0003		0.0048	
R-squared: overall		0.0364		0.0438		0.0507	
rho		0.2013652	0.25331415	0.20354306	0.25359971	0.20418531	0.25350189
Time: 2000-2020		Number of groups=14		Number of obs=154			
*(Std. Error)		** (t-Statistic)		***p- (Prob.Value)			

When assessing the impact of investments on economic growth in 2020, it is necessary to take into account investments in 2018, 2019 and 2020 included in the provision of this growth. Econometric calculations can be expressed as a formalized function as follows:

grp_growth=0.0241959*in_gr_1+104.8489 (RE)

grp_growth=0.024554*in_gr_1+104.8084 (FE)

grp_growth=0.0255824*in_gr_2+104.6087 (RE)

grp_growth=0.0256999*in_gr_2+104.595 (FE)

grp_growth=0.0526826*in_gr_3+101.5541 (RE)

grp_growth=0.0528552*in_gr_3+101.5344 (FE)

The number of observation points increased to 154 due to the use of 11 years of data in 14 regions in the econometric assessment. In other words, based on a mutual analysis of 154 cases of interaction between economic growth and investment growth in the regions, using the computer program "Stata", a regularity of the impact of investments on the economy was determined. Using econometric calculations, the degree of influence of investment growth on economic growth using paired regression functions was expressed in terms of elasticity coefficients. It is known that after the absorption of investments in production, it takes some time for them to affect the final result - economic growth. This period is called the investment lag, which means that the impact of investment is delayed for a certain period of time and leads to economic growth. Taking into account these features of the impact of investments in econometric calculations, the author used an investment lag in each region of Uzbekistan for up to 3 years.

According to the results of an econometric assessment of the impact of investments on economic growth in the regions of Uzbekistan for 2010-2020, the coefficient of elasticity of investments with a lag of one year (methods "Random effects GLS regression", Fixed effects (within) regression) was more than 0.024, in both methods with a two-year lag is greater than 0.025. The arithmetic average for the last three years was used to calculate the three-year lag. As a result, in the situation of a three-year lag, the coefficient of elasticity of the impact of investment growth on economic growth in the regions amounted to almost 0.053. These figures show that the positive impact of investment on economic growth has reached its maximum value in a three-year period (lag). This corresponds to an increase in the average investment growth rate in the regions by 1 percent over the past three years (for example, if the growth rate reached from 102% to 103%) and an increase in economic growth rates (growth of gross regional product) by 0.053 percentage points. Also, the values of elasticity coefficients for different lags show that investment projects in the regions of the country have the most positive impact on economic growth in a three-year period than in the first and second years.

CONCLUSIONS

Summarizing the above, a number of recommendations can be made to increase the investment potential and strengthen the investment efficiency of the regions of Uzbekistan. In order to pursue a reasonable investment policy in the country and create the necessary conditions for the active development of the economy and the effective use of investments in the regions, it is advisable to develop a long-term concept of regional policy. This national concept will become the basis for setting priorities and key goals in the development of concepts for the long-term socio-economic development of individual regions. At the next stages, it is recommended to develop regional investment strategies based on the concepts of socio-economic development of the regions.

We believe that when developing a national concept of regional policy and increasing investment potential, it is necessary to solve the following key tasks:

- ✓ Regularly distinguish between "growth centers" and "backward zones" in the structure of the country's regions, taking into account their economic potential and current trends;
- ✓ Creation of all conditions for the active dissemination of innovations and innovations from regions that are considered "growth centers" to the periphery and remote rural areas;

- ✓ Formation of a modern system of transport corridors linking developed regions and backward areas;
- ✓ Continuation and development of the network of communications formed in the "centers of growth" in backward regions;
- ✓ Ensuring free movement of labor force and labor resources between developed and underdeveloped regions of the country;
- ✓ Creation of an effective mechanism for stimulating the opening in underdeveloped regions of branches of universities, research organizations, "intelligence" centers operating in developed regions;
- ✓ Ensuring the effective use of the potential of regions with high production, consumer, labor, institutional and innovation potential in backward regions through joint interregional programs of socio-economic development.

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