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THE ROLE OF THE STATE IN THE PROMOTION OF INVESTMENT ACTIVITY

Kuanishova Aydana Bakmirzayevna

Student at University of Tashkent for Applied Sciences

Annotation: This article explores the multifaceted role of the state in fostering a vibrant and conducive environment for investment activity. It examines various policy tools and strategies employed by governments to attract domestic and foreign investment, stimulate economic growth, and enhance overall prosperity. The paper analyzes the impact of state intervention on investment decisions, considering both potential benefits and risks, and ultimately emphasizes the importance of a balanced and strategic approach to government intervention in the investment landscape.

Keywords: Investment, state intervention, economic growth, foreign direct investment, domestic investment, policy tools, regulatory framework, infrastructure development, tax incentives, business climate, risk mitigation, sustainable development.

Investment is a key driver of economic growth, job creation, and technological advancement. While private sector actors play a pivotal role in driving investment decisions, the state's influence in shaping a conducive environment for investment activity cannot be underestimated. This article delves into the multifaceted role of the state in promoting investment, examining various policy tools and strategies employed by governments to attract domestic and foreign investment and ultimately enhance overall economic prosperity.

The active investment policy conducted in Uzbekistan serves as an important financial factor for increasing the future competitiveness of the country's national economy. In the Investment Program of the Republic of Uzbekistan for 2020-2022: 850.5 trillion. investments, including 35.5 billion soums. 206 new production facilities and more than 31,000 jobs in the cumulative forecast parameters of the absorption of capital investments, as well as the forecast parameters of the absorption and attraction of investments and loans. an addressable program for the launch of large production facilities and capacities in 2020, which provides for the creation of new jobs [1]. Such large-scale reforms implemented in our country and increasing the effectiveness of active investment policy require, first of all, perfect systematic financing of investment activities on a macro and micro scale.

Investment is defined as the commitment of current financial resources in order to achieve higher gains in the future. It deals with what is called uncertainty domains. From this definition, the importance of time and future arises as they are two important elements in investment [2].

According to economist A.S. Neshitoy, "Investment activity is the placement (investment) of funds and implementation of practical actions in order to obtain income and achieve beneficial results" [3].

According to famous US economists Frank Reilly and Keith Brown, "an investment is an investment made in a certain period to receive payments in the future." Also, an "investor" can be an individual, a government, a pension fund, or a corporation. Whatever they are, they are a set of activities that direct a certain amount of funds today and have future payments that will be higher than the current amount[4]. According to the author, this definition is appropriate, but external factors should also be taken into account when making investments.

Similar definitions can be observed in the opinions of the following scholars. In particular, according to the Russian economist V. Bocharev: "Investment activity means the sum of practical actions of the state, citizens and legal entities in making investments" [5]. Authors A. Arzimiyana and others define: "Investment activity is a sum of practical actions in making investments or investing and making investments" [6].

The methods of assessing the investment climate in the countries of the world differ from each other, and in most cases the assessment is made in relation to the macroeconomic sphere. For example, in Japan, a descriptive description of the investment environment is given and no quantitative assessment is used. In the USA, it is determined through four interrelated indicators, namely, business activity, the level of development of the economic management system, the economic efficiency of investments, and the main organizers of tax policy.

In the years of independence, the emergence of different forms of ownership and business management in the sectors of our country's economy, in accordance with the market mechanism and principles, requires a new approach to social and economic relations related to investment and investment activities. As a result, the amount of GDP, as well as the composition of sources of financial income in the income part of the state budget changed, and the main attention was paid to the development of mechanisms for the formation of decentralized sources of investment and market entities from the centralized distribution of capital funds.

In 2020 202.0 trillion 65.4 percent or 132.0 trillion soums of fixed capital investments were absorbed. 34.6 percent or 70.0 trillion soums were financed from the funds raised, from the own funds of the enterprise, organization and population. Soum was financed. In the volume of total investments, the share of investments in fixed capital financed from decentralized financing sources decreased by 8.0% compared to the share in the corresponding period of 2020, and its volume was 39310.2 billion. amounted to soum. Correspondingly, 162,289.9 billion from decentralized financing sources. soums or 80.5 percent of the total investments were absorbed.

Policy Tools for Promoting Investment:

1. Regulatory Framework. A transparent, predictable, and stable regulatory framework is essential for attracting investment. This includes clear and consistent laws, regulations, and procedures governing business operations, property rights, contract enforcement, and intellectual property protection.

2. Infrastructure Development. Adequate infrastructure, including transportation, energy, communication, and logistics, is crucial for businesses to operate efficiently. Governments can play a significant role in developing and maintaining essential infrastructure, reducing investment costs and enhancing overall competitiveness.

3. Tax Incentives. Governments often utilize tax incentives to attract investment, including tax holidays, reduced corporate tax rates, and investment tax credits. These incentives can make investment projects more financially attractive, particularly for high-risk or capital-intensive ventures.

4. Financial Support. Governments can provide financial support to businesses through subsidized loans, grants, and venture capital programs. These measures can help mitigate investment risks, particularly for startups and small and medium-sized enterprises (SMEs).

5. Human Capital Development. A skilled and educated workforce is essential for attracting and retaining investment. Governments can invest in education, training, and skill development programs to equip the workforce with the necessary skills for the modern economy.

6. Trade Policies. Open trade policies and access to international markets can enhance export opportunities and attract foreign investment. Governments can negotiate trade agreements, reduce trade barriers, and promote international trade through various initiatives.

Impact of State Intervention on Investment Decisions

Positive Impact: A well-designed and implemented state intervention can significantly impact investment decisions by reducing uncertainty, mitigating risks, and creating a more favorable business climate. This can lead to increased investment, economic growth, job creation, and technological advancement.

Potential Risks: Excessive or poorly designed state intervention can create unintended consequences, including distortions in market mechanisms, rent-seeking behavior, and corruption. This can discourage investment, stifle innovation, and undermine overall economic efficiency.

The challenge for governments lies in striking a balance between promoting investment and ensuring a level playing field for businesses. The ideal approach is to implement targeted interventions that address specific market failures without creating undue distortions. Transparency in policymaking and accountability in implementation are crucial for building trust and attracting investment. Governments should engage with stakeholders, provide clear information about policies and procedures, and ensure transparency in the use of public funds. Governments should prioritize policies that promote sustainable investment practices, considering environmental, social, and governance (ESG) factors. This includes encouraging investments in renewable energy, green technologies, and sustainable infrastructure, contributing to a more sustainable future.

In conclusion, the state plays a crucial role in fostering a vibrant and conducive environment for investment activity. By implementing a balanced and strategic approach to policy interventions, governments can attract both domestic and foreign investment, stimulate economic growth, and enhance overall prosperity. It is essential to consider the potential risks associated with excessive or poorly designed interventions while focusing on policies that create a level playing field for businesses, promote transparency and accountability, and prioritize sustainable development. By embracing a collaborative approach with the private sector and stakeholders, governments can effectively promote investment activity, leading to a more prosperous and sustainable future for all.

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