

EVALUATION OF THE INVESTMENT ENVIRONMENT OF FERGANA REGION AND INVESTMENT ACTIVITY OF REAL SECTOR ENTERPRISES IN IT

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Annotation: This article highlights the ways to increase the attractiveness of the investment climate in Uzbekistan and identify ways to effectively develop the investment activities of real sector enterprises, attract large-scale foreign direct investment, and implement the tasks set out in other regulations aimed at improving its efficiency.

Keywords: study the essence of investment, their types, importance and place in the economy.

Introduction

Since the independence of our country, radical reforms have been carried out to develop the key sectors of the national economy, to reshape the sectors in a balanced way, taking into account the existing resource potential and specific features in the regions.

In the implementation of structural changes, attention is paid to the formation of enterprises in all sectors of the real sector and support for their activities, which provides the necessary conditions for financial and economic stability of enterprises, their profitability.

In order to analyze the state of development of real sector enterprises at the regional level by sector, the real sector of the regional economy of Fergana region, which differs from other regions in terms of location, demographic and natural-climatic conditions, was selected.

Fergana region is one of the most industrialized regions of the country, with a well-developed agricultural sector and the fastest growing services and other sectors.

Fergana region is one of the regions with stable growth of gross regional product of the country, and over the past period there have been significant changes in the structure of products (works and services) created by the real sector of the region. The basis of the regional economy is industry, agricultural production, cotton processing and food industry. In addition, the building materials industry is one of the fastest growing industries.

The basis of light industry is the existing ginneries, cotton and silk spinning mills. The bakery, confectionery, dairy and meat industries are developing rapidly.

Despite the rapid development of industry in the region, agriculture plays an important role in the regional economy.

Cotton and grain growing are the main directions in this area, and the construction of new orchards and vineyards in recent years, the expansion of the area under vegetables and melons also contribute to the sustainable development of fruit and vegetable growing in the region.

In 2019, the gross regional product (GRP) of Fergana region provides 6.7% of GDP, 6.7% of industrial output, 8.7% of agricultural output. Compared to other regions of the country, Fergana region occupies the 2nd place in terms of population and is almost 4-5th in all indicators. The analysis of macroeconomic indicators of Fergana region shows that the share of the region in the GDP of the country is declining sharply. The main reason for the decline in the share of Fergana region in GDP was the decline in industrial production compared to the national average, especially investment in fixed assets (Table 1).

Although Fergana region occupies one of the leading positions in the regional structure of the country's industry, over the past years, the share of the republic's industry has been declining.

In turn, this can be explained by the fact that the share of investments decreased from 5.1% in 2005 to about 3.9% in 2019.

Therefore, along with projects of local significance in the region, the issue of attracting foreign investment has a special place.

According to the Unified State Register of Enterprises and Organizations, as of January 1, 2018, the number of registered legal entities reached 26,003, of which the number of operating was 25,571 or 98.3% of the total number of registered legal entities.

Table 1.

The role of Fergana region in the system of key macroeconomic indicators of economic development of the Republic of Uzbekistan, in percent

Indicators	2005 year	2010 year	2015 year	2018 year	2019 year	Country place in us (in 2017)
Population	10,9	11	11,1	11,1	11,1	2
Gross regional product	8,9	7,1	7,1	7,0	6,6	5
Industrial products	8,1	8,4	7,3	7,2	6,7	4
Consumer goods	9,2	8,3	6,9	6,9	6,4	4
Agricultural products	9,6	7,8	8,8	8,8	8,7	5
Fixed capital investments	5,1	5,5	5,1	4,8	3,9	9
Retail turnover	10,7	8,7	8,6	8,6	8,5	3
Services	-	5,0	6,2	6,4	6,4	3
Foreign trade turnover	3,3	4,3	4,7	3,6	3,5	5
Export	3,8	3,5	3,1	3,3	3,7	3
Import	2,6	5,5	6,3	3,9	3,3	6

Enterprises registered by type of economic activity and the main part of organizations, trade (21.5% of total registered legal entities), industry (20.9%), construction (8.0%), agriculture, forestry and fisheries (5.5 percent).

As of January 1, 2018, 20,682 enterprises of commercial form and organizations are registered, of which 8,119 are private enterprises, 2,174 are family enterprises, 9,708 are limited liability companies, and 50 are joint-stock companies.

In terms of economic activity, 34.7% of newly registered enterprises and organizations are in industry, 23.7% in trade and 8.1% in agriculture and forestry. The average GDP growth trends of Fergana region in 2005-2019 are also lower than the national average, at 107.8% and 106.5%, respectively. As of 2019, 6.7% of the country's industrial output, including 52% of fuel, 9.5% of food products and 25% of cement are produced in the region.

As a result of ongoing reforms, sustainable development processes have been observed in the region in recent years. This can be seen in the fact that the GDP growth rate averaged 6.5 percent in 2005-2019 and increased 11.7 times in 2005-2019. In particular, industrial production increased by 9.3 times, consumer goods by 14.1 times, retail trade turnover by 12.8 times and investments by 14.6 times. It did not allow Fergana region to make positive structural changes in the economy.

During the period from 2005 to 2019, the share of industry in GDP decreased from 26.7% to 24.8%, the share of construction increased from 3.8% to 6.2%, and the share of services increased from 36.4% to 45.4% (2.2- table).

Given the high potential of the region for industrial development compared to other regions of the country, it can be said that investment programs aimed at increasing the industrial potential have not been effective enough.

The decline in the share of agriculture, forestry and fisheries, and industry, which are the main sectors of the region's GRP, has limited investment in the region's economy.

The projects implemented were mostly in the service sector. The analysis of the macroeconomic situation shows that the work on the development of key sectors in the region has not been carried out significantly.

Table 2

The share of economic activities in the GDP of Fergana region (%), the gross value added of industries is 100%.

Years	Agriculture, forestry and fisheries	Industry	Construction	Services	including:		
					Trade, accommodation and meals Services	Transportation and storage, information and communication	Other service networks
2005	33,1	26,7	3,8	36,4	8,1	9,6	18,7
2010	23,4	23,9	6,5	46,2	8,9	6,1	31,2
2015	21,7	24,5	6,3	47,5	9,6	10,6	27,3
2018	21,5	24,8	6,3	47,4	10,8	10,5	26,1
2019	23,6	24,8	6,2	45,4	10,5	9,4	25,5

The development of the consumer goods market in the region is one of the main indicators of the well-being of the population. Fergana region ranks fourth in the country in terms of consumer goods production.

During 2005-2019, the production of consumer goods grew by an average of 7.2%, which is lower than the average growth of the republic during these years (11.6%). 40.0% of consumer goods produced in Fergana region are food products (49.9% in the country), 60.0% are non-food products (Diagram 1).

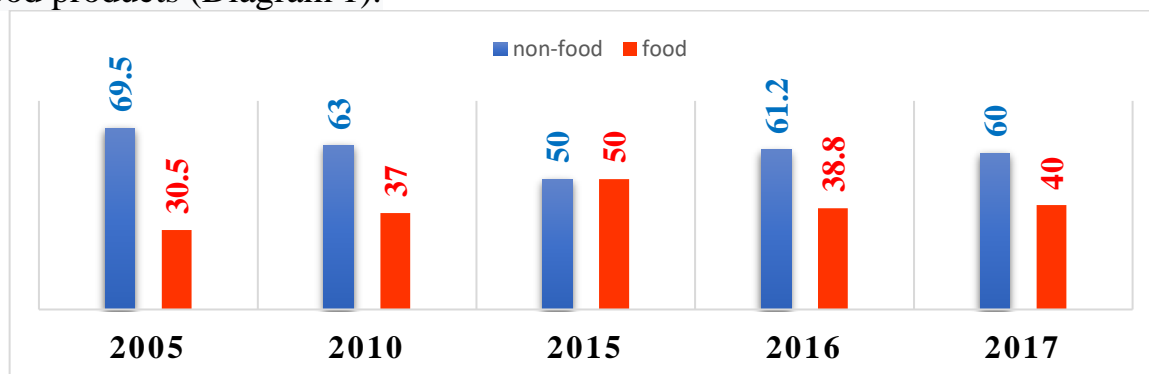


Diagram 1 The structure of consumer goods production in Fergana region, in percent

The volume of retail trade turnover in Fergana region in 2005-2019 grew below the national average, reaching 114.5% and 112.1%, respectively. The share of the region in the total retail trade turnover of the republic in 2019 is 8.5%, ranking second only to the city of Tashkent and Tashkent region.

The activities of scattered entrepreneurs engaged in informal trade in the organization of retail and wholesale trade in the region have a negative impact on the development of trade at the level of modern requirements. As a result, it is undermining the culture of trade, improving the range of goods, reducing transportation costs and improving the financial situation of traders.

The per capita retail trade turnover of the region is lower than the national average and higher than in other regions of the country.

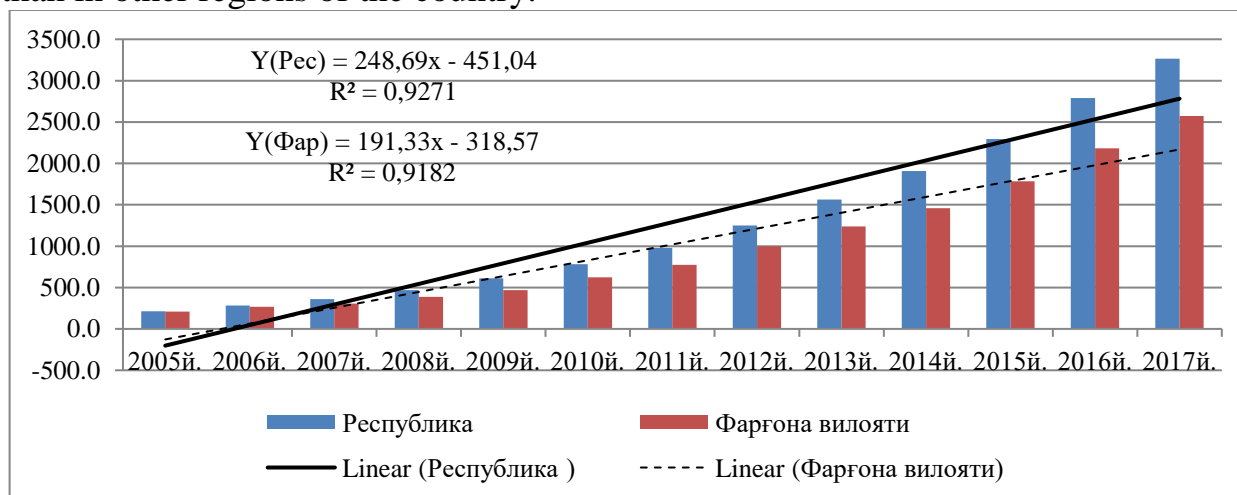


Diagram 2 Comparison of the development of retail trade per capita in Fergana region, thousand soums.

To be more precise, the results of the trend equations in Figure 2.2 show that according to the analysis, the per capita retail trade turnover in the country is 248.6 thousand soums, and in the region - 191.3 thousand soums. The main point of development of retail trade in Fergana region are the cities of Fergana, Kokand, Margilan, whose share in 2019 amounted to 47.2 percent. From this case, it is clear that the concentration of retail trade mainly falls on the share of 3 cities.

The turnover of small businesses in 2019 increased by 2.6% compared to 2018. Its volume accounted for 91.5% of total sales. Almost 878.7 billion soums of small business turnover came from non-organized trade. The share of this sector in total retail trade turnover was 9.5%.

Any economic measures taken in the regions are ultimately determined by the growth of living standards of the population, which leads to the need to determine the standard of living in the regions that meets the new socio-economic conditions.

This concept is a key issue in the formation of marketing theories in the context of the concept of consumer-oriented economy, which is widely used in world practice in recent years.

In Fergana region, the average growth of income in 2005-2019 was 23.6 percent per year, which is 2.4 percentage points lower than the average annual growth rate of the country. The share of the population in the total income of the region is 9.1%.

While the income of the population of Fergana region in 2005 amounted to 83.5% of the national average, this situation remained almost unchanged from 2005 to 2019.

Although the income of the population in the region is still low compared to the average level of the republic, it has been declining over the years (Table 2.3). Although the real incomes of the population tend to decrease relative to the national average, the years of analysis increased by an average of 123.6%, the lowest in comparison with all other regions of the country.

During these years, the average growth rate of income was 127.5% in the neighboring Namangan region and 124% in the Andijan region. In all indicators, Fergana region remains below the overall growth rate of the country.

Table 3

Comparison of incomes of the population in Fergana region with the republican indicators, per thousand population per capita

	2005	2010	2015	2018	2019
Republic of Uzbekistan	373,9	1801,2	4256,3	4802,6	5798,0
Fergana region	312,0	1518,7	3591,6	3993,2	4758,1
Difference, %	83,5	84,3	84,4	83,1	82,1
Difference (+/-)	-61,9	-282,5	-664,8	-809,4	-1039,9

The foreign trade turnover of Fergana region in 2019 amounted to 949.4 million US dollars, which is 3.5% of the total foreign trade turnover of the country, but there is a tendency to increase by 7% compared to the average growth of the country in 2005-2019 (Diagram 3.).

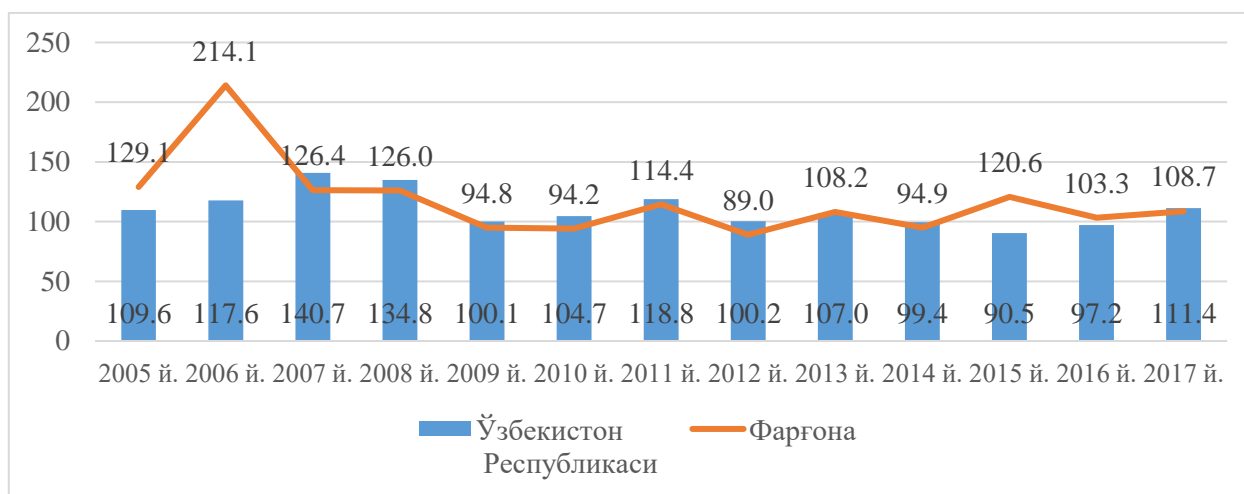


Diagram 3

Growth trend of foreign trade of Fergana region, percent

Following the region's foreign trade, the share of exports in 2019 was 54.1%, compared to 65.8% in 2005, 47.4% in 2010 and 32.7% in 2015. The results of the analysis show that the high share of exports in the region's foreign trade has achieved a positive balance by 2019. Consumer spending is the main indicator of the state of demand, and its level represents the well-being of the population.

The relationship between the real incomes and expenditures of the population is one of the main indicators of the living standards of the population, and the coefficient of elasticity (K_e) is used to determine it.

This coefficient shows how much the average per capita income changes by 1 percent of consumer spending, and the expression of a positive coefficient means that the living standards of the population are increasing.

$$K_y = \frac{\Delta y}{\Delta x} : \frac{y_0}{x_0} \quad (2.1)$$

where, K_e - elasticity coefficient;

y - per capita consumption expenditures;

x - per capita income;

To determine the living standards of the population in Fergana region, we use the statistical indicators to determine the coefficient of elasticity of the situation in 2006-2019 in Table 2.4.

Table 4 The standard of living of the population of Fergana region, thousand soums

	2006	2010	2015	2018	2019
Income	391,4	1518,7	3591,6	3993,2	4758,1
Consumer costs	212,664	697,2	2838,641	4024,8	4443,6
K_e	0,92	0,68	0,93	1,28	0,93

From the data in Table 2.4, it is clear that the living standards of the population have been accepting small coefficients over the years. In turn, it is confirmed that in Fergana region it is

necessary to identify the most important tasks, such as the identification of measures to further improve the living standards of the population and to develop marketing strategies in this regard. The results of the analysis show that the changes in the world economy in the context of fierce competition are due to the rapid introduction and development of new innovative technologies in production and services, increased competition in the labor market, goods and services, production from each operating entity. structural renewal, modernization, expansion of production with the correct implementation of diversification in industries, increasing the competitiveness of the economy.

A positive factor in ensuring the development of the region's economy is the significant share of foreign direct investment in foreign capital investment.

This is because the fact that investors direct capital into the country's economy without state guarantees indicates that they have taken on all the risks (risks) that may arise as a result of operating in the regional economy. The fact that 82% of all foreign investments in the region in 2017 accounted for the share of direct investment, shows that a favorable investment climate is being created in the region.

The practice of foreign countries, especially the newly industrialized countries of Hong Kong, Singapore, South Korea, Taiwan, shows that the share of investments in the country's economy in the period of economic growth above 10% was 35-40% of gross domestic product (GDP). Their significant volume accounted for the share of domestic investment.

It is known that more intensive attraction of domestic investment in the national economy requires a step towards improving the mechanism of attracting capital resources to the economy, which will take some time.

The positive solution of the above issues will serve to increase the volume of domestic and foreign investment in the economy of the regions, ensure sustainable economic growth, ultimately increase the development of our country, increase the welfare of our people. These aspects require identification of the current state of investment attraction in Fergana region and the possibility of using marketing strategies in it.

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