

**IMPROVING THE INVESTMENT CLIMATE AND PROMOTING INNOVATION
FOR ECONOMIC GROWTH**

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Abstract: This article analyzes the role of the investment climate and innovation activity as key drivers of economic growth. Based on statistical data from 2020–2024 in Uzbekistan, it reviews the dynamics of investment volumes, foreign direct investment inflows, and innovation indicators. The study concludes that improving the investment environment and promoting the financing and commercialization of innovations are essential to ensure sustainable economic growth.

Keywords: investment climate, economic growth, innovation, FDI, technology, Uzbekistan.

1. Introduction

In a market economy, investment is one of the most important sources of economic growth, production expansion, and technological renewal. The growth of capital investment contributes to increased employment, exports, and competitiveness. At the same time, qualitative aspects of the investment climate — such as favorable conditions for investors, financial stability, simplicity of the tax system, anti-corruption mechanisms, and government guarantees — play a crucial role.

In recent years, Uzbekistan has undertaken extensive reforms to attract investment and stimulate innovative activities. In particular, the “New Uzbekistan Development Strategy” (2019–2023), the optimization of the Ministry of Investments and Foreign Trade, and the establishment of the Ministry of Innovative Development marked significant milestones in this direction.

This article examines the impact of improving the investment climate and promoting innovation on economic growth, identifying existing problems and proposing policy recommendations.

2. Research Methodology

This study is based on a mixed analytical and descriptive approach. The main objective is to assess the relationship between investment climate improvement and economic growth in Uzbekistan during 2020–2024.

The analysis relies on secondary data collected from official sources such as the State Statistics Agency of Uzbekistan, the World Bank, UNCTAD, and the Global Innovation Index database. Quantitative indicators — including total investment volume, foreign direct investment (FDI) inflows, and the share of innovative enterprises — were examined to identify trends and correlations.

Descriptive statistical analysis was applied to evaluate the dynamics of investment and innovation activity. Comparative analysis was also used to assess Uzbekistan’s progress relative to regional and global benchmarks.

The findings and interpretations are supported by government reports, international datasets, and policy documents to ensure data validity and relevance.

The Role of the Investment Climate in Economic Growth (Theoretical Background)

The investment climate refers to the set of economic, legal, political, and social factors that shape investors' activities in a country or region. Its stability directly affects the pace of economic growth. According to the World Bank's Doing Business ranking, UNCTAD's World Investment Report, and the Global Innovation Index, there is a strong correlation between an improved investment climate and the number of innovations and newly introduced technologies.

From a theoretical perspective, investment activity can be divided into two main categories:

- Domestic investment — capital expenditures financed by public and private sectors within the country.
- Foreign direct investment (FDI) — investments made by foreign companies, enterprises, or organizations.

Innovation activity, in turn, ensures that investments reach higher levels of profitability. The introduction of new technologies, modernization of production, and commercialization of startups and research projects enhance the efficiency of investments.

Analysis of Investment Policy and Innovation Activity in Uzbekistan (2020–2024)

Over the past five years, Uzbekistan has implemented significant reforms to improve the investment climate and attract foreign capital.

According to the Statistics Agency of Uzbekistan, total investment volume increased from 210.3 trillion UZS in 2020 to 417.5 trillion UZS in 2024, a growth of 98%. Foreign direct investment rose from USD 6.6 billion in 2020 to USD 9.1 billion in 2024 (World Bank Data, 2025).

Table 1. Investment volume, FDI inflow, and share of innovative firms in Uzbekistan (2020–2024)

Year	Total Investment (trln UZS)	FDI (bln USD)	Share of Innovative Firms (%)
2020	210.3	6.6	11.2
2021	270.8	7.4	13.1
2022	310.1	8.2	15.4
2023	358.6	8.7	17.6
2024	417.5	9.1	19.3

The share of innovative enterprises rose from 11.2% in 2020 to 19.3% in 2024 (Global Innovation Index, 2024). This reflects, on one hand, an increase in public expenditure on R&D,

and on the other, the growing role of infrastructural projects such as Technopark, IT-Park, and InnoFund.

By the end of 2024, according to the Agency for Innovative Development, over 400 startup projects were registered nationwide, including about 60 implemented in partnership with foreign investors.

3. Problems and Recommendations

Despite positive progress, the following systemic challenges persist in improving Uzbekistan's investment climate:

- Lack of regulatory stability — frequent changes in tax and investment legislation undermine investor confidence.
- Regional disparities — investments remain concentrated in the capital and industrial hubs, while remote regions experience low investment activity.
- Underdeveloped innovation ecosystem — limited collaboration between research institutions and industry.
- Human capital constraints — shortage of skilled professionals in innovative sectors.
- Weak financing mechanisms — venture capital and risk investment markets are still in early stages.

Recommendations:

1. Stabilize investment legislation and introduce long-term guarantees for investors.
2. Expand regional investment centers and develop industrial clusters in rural areas.
3. Increase the number of innovation funds and encourage private-sector participation in R&D.
4. Simplify investment processes through digital platforms (e-licensing, e-contracts).
5. Promote innovation partnerships between universities and enterprises.

4. Conclusion

Trends in Uzbekistan's economic development during 2020–2024 demonstrate that improving the investment climate and supporting innovation have become major drivers of economic growth. The doubling of investment volume, a 38% rise in FDI inflows, and an increase in the share of innovative enterprises from 11.2% to 19.3% indicate substantial progress.

At the same time, enhancing innovation infrastructure, developing human capital, ensuring the stability of investment policies, and strengthening regional equality remain critical tasks. In the coming years, placing innovation at the core of the economic growth model will enable Uzbekistan to advance toward a high-tech industrial economy.

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JOURNAL OF MULTIDISCIPLINARY SCIENCES AND INNOVATIONS

VOLUME 04, ISSUE 10
MONTHLY JOURNALS



ISSN NUMBER: 2751-4390

IMPACT FACTOR: 9,08

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