



Article

Problems that Hinder from Attracting Investments to The Region and Solutions Eliminating Them

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Abstract: This study examines the factors hindering investment attraction in the Syrdarya region and Uzbekistan, identifying key challenges and proposing solutions to enhance investment flows. Despite government efforts to create a favorable investment environment, persistent obstacles such as underdeveloped infrastructure, limited logistics, economic crime, and inadequate investor information continue to impact investment attractiveness. Using statistical analysis and econometric methods, the research evaluates investment trends from 2019 to 2023 and the correlation between investment volumes and economic crime. The findings indicate that improving infrastructure, increasing transparency, and implementing investment-friendly policies can significantly boost investment inflows. The study's implications emphasize the need for targeted reforms and strategic investment policies to drive economic growth and regional development.

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1. Introduction

Investments are the heart of the economy[1]. By attracting investments, added value is created, goods and products are manufactured, new jobs are created, and the population's lifestyle is improved. For this reason, each country tries to attract as much investment as possible and takes measures to create favorable conditions for investors. However, despite the measures taken, there are still some factors that negatively affect investment attractiveness. Taking these factors into account when planning for the future and determining further actions will have a positive effect. The topic of the research is relevant, because the difficulties faced by foreign investors hinder investment flows into the country.

Foreign experiences of attracting investments show, that every country or administrative territorial unit carries out different measures according to its economic, social and natural opportunities to attract investments. Of course, every country has its own specific problems in this case and solutions to them. Problems that negatively impacting to the volume of investments in Uzbekistan and Syrdarya region and their solutions are presented below.

2. Materials and Methods

This study employs a mixed-method approach, combining quantitative and qualitative analyses to investigate the factors hindering investment attraction in the Syrdarya region and Uzbekistan. The research is based on statistical data from 2019 to 2023, analyzing investment trends, economic crime rates, and infrastructure development using economic, econometric, and statistical methods. Secondary data from government reports, academic literature, and international studies on investment attractiveness were utilized to establish a theoretical foundation and compare Uzbekistan's investment landscape with global trends. To enhance the robustness of the findings, correlation analysis was conducted to examine the relationship between economic crimes and investment volume, providing insights into the extent of their impact on investor confidence. Additionally, case studies from various regions were reviewed to identify best practices in overcoming investment barriers. The study also integrates expert opinions from prior research and economic policy analyses to evaluate the effectiveness of current investment policies and incentives. A critical assessment of infrastructure development and logistical capabilities was performed through available regional reports, identifying gaps that deter foreign investors. The research further examines the role of information dissemination and transparency in investment decision-making, highlighting the necessity of developing an investor-friendly communication strategy. By combining these methodological approaches, the study ensures a comprehensive analysis of investment-related challenges and potential solutions, ultimately providing actionable recommendations to enhance the investment climate in the Syrdarya region and Uzbekistan. [8].

The theme of investments has always been at the center of consideration of economists and it has been studied by Skripnikova, G. V. [2], Ryzhov, I. V., Sakhonchik, E. D. [3], Nguyen, B. V. [4], Makogon, Y. [5], and local economists such as Mustafakulov, S. [6] and To'rayevich, I. A. [7] so far.

Skripnikova, G. V. examined the main trends in attracting foreign direct investment (FDI) to the Russian Federation and identified the problems that hinder their flow into the country [2].

In their works, Рыжов, И. В., Сахончик, Е. Д. analyze the investment activities of such countries as China, India, Central and South America, Eastern Europe, Poland, Hungary, the Czech Republic, Africa, the Middle East and Russia. Based on the results of their research, they list the following problems that hinder the attraction of investments:

- ✓ political instability
- ✓ lawlessness
- ✓ problems with the government
- ✓ raw materials dependence of the economy
- ✓ mistrust of the banking system and its inefficiency
- ✓ poor infrastructure and etc[3].

In general, different factors affect the volume of capitalized investments. These include the situation related to land use and registration, the state's membership in international organizations (World Trade Organization, etc.), the level of development of the stock market in the country, the predominant form of ownership in the economy, the strength of investment-related legislation, the current tax system and price formation factors, the level of state intervention in the economy, the high level of inflation, the level of infrastructure development, whether potential investors have sufficient information about the region, the cost and qualifications of the labor force in the region where the investment is being made, and the region's adaptability to R&D&I.

3. Results and Discussions

In order to attract more investors and make the investment environment more favorable in our country, many opportunities have been created for investors.

In particular, if the share of a foreign investor in a joint-stock company is at least 15%, in cases where the investment amount is 0.3 million - 3 million US dollars, it will be exempted from income tax, property tax, and small business tax with a grace period of 3 years;

in cases where the investment amount is 3 million - 10 million US dollars, the restriction on the import of own property for enterprises with foreign investment to be at least 33% will be abolished with a grace period of 5 years; in cases where the investment amount is more than 10 million US dollars, it will be exempted from income tax with a grace period of 7 years[9].

In addition, subsidies have been allocated to support certain sectors and areas, including: the introduction of drip and sprinkler irrigation technologies (for food production enterprises, if they are located in marshy and pasture lands), farms that have introduced energy-saving technologies, covering the costs of combating pests or ensuring crop safety, covering interest costs on agricultural machinery, costs of insuring cotton and grain crops, and encouraging the export of agricultural and food products.

As a result of these opportunities being created, the volume of investments in fixed capital in Syrdarya region has increased from 12,354.6 billion soums in 2022 to 15,349.1 billion soums in 2023. (We can see the dynamics of changes in the volume of investments in fixed capital in 2019-2023 in Figure 1 below).

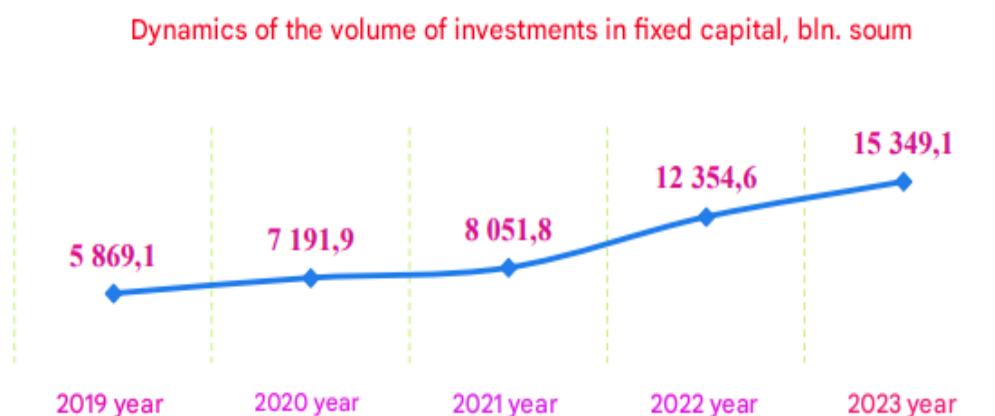


Figure 1. Dynamics of changes in the volume of investments in fixed capital in the Syrdarya region in 2019-2023

As can be seen from the data in the figure, the volume of investments shows a stable growth dynamics. However, there are still problems that hinder the inflow of investments. The following main problems hinder the attraction of investments to the Syrdarya region.

First, there is a high level of specialization not only in the Syrdarya region, but also in other regions of the Republic. The territory of the region is mainly adapted to the production of agricultural products, and alfalfa, peas, mung beans, sesame, millet, beans, sunflowers, and others are grown on irrigated land. Gulistan and Khavas districts are the main places where vegetables and melons are grown. Melons, watermelons, and onions grown in the region are also sent to cities in the Urals, Siberia, and the Far East[10].

Typically, investors prefer to invest in sectors of the economy that generate good profits and have high export potential (metallurgy, oil and gas, forestry, etc.). A potential investor who has previously planned to invest in a particular sector or industry wants to invest in a region where that sector or industry is developed. The

investment policy implemented in recent years, the implementation of measures aimed at increasing investment attractiveness, and the establishment of special economic zones in regions have somewhat solved this problem.

The next factor affecting the volume of investments is the insufficient development of infrastructure in all regions. Every investor wants a good infrastructure to be formed in the area where he is investing, and there are a lot of labor resources. In such regions, urban transport is high, bus stations and airports are established, palaces of culture, cinemas, museums, zoos, stadiums and sports complexes operate for cultural and leisure activities, and they are distinguished from remote areas by the creation of good living conditions for the population. The majority of the population prefers urban centers for living and working. However, currently the level of infrastructure development in the region is not very high. In particular, we can see the level of gas and electricity supply of the regions' districts in 2019-2023 in Table 1 below.

As can be seen from the table, favorable conditions for living and livelihood have not been created in all parts of the region.

The fact that gas pipelines do not fully reach households in districts such as Boyovut (50.1%), Saykhunabad (31.8%), and Okoltin (42.7%) (the situation is almost the same in all districts except for the cities of Guliston, Yangiyyer, Shirin and Khavos district!), and the fact that problems with the sewage system exist equally in both urban and rural areas, leads to a decrease in investors' interest in investing in the region.

In addition, factors such as the level of provision of pure drinking water in the region (as of 2023, it was 85.7% in the region), the level of provision of communication systems, social services, the level of provision of educational institutions with modern technologies, the average income of the population, and the level of literacy are also important in the investment attractiveness of the region.

In order to eliminate the above-mentioned problems and improve the infrastructure of the region, it is advisable to establish small towns near the regions where investment projects are being implemented and provide them with the necessary infrastructure.

The next problem is the lack of logistics capabilities in the region. Despite the fact that the region is located on the main road connecting the capital and the oasis, there is no organized logistics system in the region. When sending international mail, when importing goods from foreign countries, it is necessary to bring them through the capital, which requires additional costs when exporting manufactured products to the world market. Products manufactured using the latest technologies, at low cost, have a rather high price due to the high cost of delivery services. Naturally, when the quality is the same, the buyer buys cheaper products.

This also creates difficulties for investors in bringing in equipment, raw materials, and other production resources, leading to excessive costs. There is an opportunity to increase investment flows by improving the logistics system, opening branches of logistics companies, and improving the logistics system.

Another factor hindering the inflow of investments is the fact that the opportunities created for investors in the region are not fully communicated to potential investors, and the information base of the region is not well formed. There is no separate information source that would cover and provide information about the changes taking place in the region, the opportunities provided to investors, and the achievements achieved in this area. Information in this area is covered in the regional and republican mass media, but the type and scope of information creates inconvenience for the potential investor. For this reason, it is possible to attract more investment by developing an investment map of the region by the Department of Investments and Foreign Trade in all regions of our Republic, constantly updating it, and introducing the implemented investment projects and achievements.

Another decisive factor in increasing investment attractiveness is the level of economic crime in the region. While the presence of economic crime causes significant material damage to society and the state, the high level of this indicator, especially the presence of economic crimes committed by senior officials, negatively affects the interest of investors in the region. The fact that economic crime is an important social and economic problem is also reflected in the works of economists of the last century[11].

Table 1
Dynamics of change in the share of households with sewerage systems and gas supply in the Syrdarya region in 2019-2023

Territories	2019		2020		2021		2022		2023	
	Share of households supplied with gas	Share of households supplied with sewerage system	Share of households supplied with gas	Share of households supplied with sewerage system	Share of households supplied with gas	Share of households supplied with sewerage system	Share of households supplied with gas	Share of households supplied with sewerage system	Share of households supplied with gas	Share of households supplied with sewerage system
Syrdarya region	62,8	35,7	66,2	39,2	68,7	36,8	68,8	47,2	64,7	56,6
Gulistan	87,3	85,4	81,8	86,5	90,9	87,7	100	87,6	91,7	85,5
Shirin	100	93,6	89	93,4	100	91,2	100	90,2	100	90,2
Yangiyer	94,5	42,1	94,2	42,1	94,5	40,8	89,2	41,4	88,4	59,8
Okoltin district	37,3	0	45,6	32,6	50	32,8	49,4	34	42,7	65,1
Boyovut district	50,4	54,1	51,5	54	57,2	53	55,7	56	50,1	59,2
Sayhunobod district	24,3	15,2	26	15,1	38	15,8	37,8	35	31,8	37,8
Gulistan district	50	11,4	47,5	11,3	59,5	11	57,4	33,8	50,9	49,1
Sardoba district	27,7	57,2	53,7	62,5	52,1	58,5	51,1	57,1	51,6	61,7
Mirzaobod district	59,8	6,7	84,8	11,9	70,3	9	65,9	34,4	66	39,8
Sirdaryo district	70,6	7	70,6	7,1	61,3	5,9	61,7	33,5	60,8	49
Khovos district	91,9	27,2	93,8	28,4	90,6	24,8	89,8	24,8	86,6	35,2

We can see statistics on economic crimes committed in our country in recent years and the volume of investments in fixed capital appropriated in Table 2 below.

Table 2
Number of economic crimes committed in our country in 2019-2023

	2019	2020	2021	2022	2023
Number of economic crimes	7824	7514	12988	17559	17775
Volume of investments in fixed capital, billion soums	195927,3	210195,1	239552,6	266240	356071,4

When a correlation analysis was performed between these two indicators (indicators for 2010-2023 were taken to provide more accurate results. In Table 2, only data from the last five years are presented), it turned out that the correlation coefficient (Pearson coefficient) is $r=-0.61$, that is, there is an average inverse relationship between

the number of economic crimes committed and the volume of investments in fixed capital appropriated. However, there is an opportunity to increase the volume of appropriated investments by preventing economic crimes. For this, it would be advisable to strictly monitor the implementation of laws, use systems that ensure transparency between investors and local authorities, or improve existing systems.

4. Conclusion

This study highlights the critical factors impeding investment attraction in the Syrdarya region and Uzbekistan, revealing that infrastructure deficiencies, logistical limitations, economic crime, and inadequate dissemination of investment-related information significantly hinder foreign and domestic investor confidence. The findings indicate a moderate inverse correlation between economic crime rates and investment volumes, emphasizing the need for stricter regulatory frameworks and enhanced transparency to foster a more secure investment climate. Moreover, underdeveloped infrastructure and logistical challenges continue to act as major deterrents despite existing government incentives, suggesting that targeted policy interventions are essential to enhance regional investment attractiveness. The implications of these findings underscore the urgency of strategic reforms, including the establishment of investor-friendly policies, improved communication channels for potential investors, and the adoption of international best practices in investment facilitation. While this research provides valuable insights, further studies are required to explore the long-term impact of recent policy measures on investment trends and to conduct comparative analyses of investment climates in similar economic contexts. Future research could also employ qualitative interviews with investors to gain deeper insights into their decision-making processes and perceptions of the investment environment in Uzbekistan.

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