

# ANALYSIS OF SOURCES OF INVESTMENT SUPPORT FOR INNOVATIVE DEVELOPMENT OF THE NATIONAL ECONOMY REPUBLIC OF UZBEKISTAN

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**Abstract.** *The article discusses the problems of investing innovative processes in the national economy of Uzbekistan. In particular, the author analyzed the current state of investment in the innovative development of the national economy, assessed the practice of stimulating innovation and investment activity in Uzbekistan, developed scientific recommendations to increase investment and innovation activity in the sectors of the economy.*

**Keywords:** *investment, innovation, investment process, sources of innovation, R&D, financing, government, private entrepreneurship.*

**Introduction.** In the context of increasing competition and the growing scale of globalization, special attention in increasing the competitiveness of countries is paid to innovation, the results of scientific research and development. Both at the level of individual states and at the global level, there is an annual increase in investment in innovation. During the period 2010-2022, the volume of investment in research and development (R&D) increased in China by 3.8 times, the Republic of Korea - by 2.3 times, in countries such as Germany, France, Israel - more than 1.5 times.<sup>1</sup> According to the Lisbon strategy of the European Union for the transformation of the European economy into the most competitive and dynamically developing economy based on knowledge, it is justified that the EU countries should invest at least 3% of GDP in the innovation sphere.

It should be noted that in recent years, Uzbekistan has also paid great attention to the development of innovative activities. "Innovation means the future. If we begin to build our great future today, we must do this primarily on the basis of innovative ideas and an innovative approach." innovative development of the Republic of Uzbekistan. This ministry has implemented a number of measures to form the institutional and regulatory framework for the transition to an innovative path of development and the direction of research results for further commercialization. However, to date, the volume and growth rates of investments to support innovation in the national economy are insufficient. That is why one of the priority areas of the Strategy for the Innovative Development of the Republic of Uzbekistan for 2019-2022 is defined as "increasing government spending on research and development work and bringing this indicator to 0.8 percent of the GDP of our republic by 2022". The search and study of new methods and directions for investing in innovative processes, tools for stimulating and activating innovative processes, identifying global trends in this area is an urgent task of modern economic theory.

A number of foreign and domestic scientists have been studying the issues of investing in the innovative development of the economy. Among them, one can especially highlight the studies of such foreign scientists-economists as B. Lundwall, G. Mensch, M. Porter, R. Solow, E. Toffler, K. Freeman, J. Schumpeter and others.

Also, studies of the role of various factors in the innovative development of the economy were devoted to the work of scientists from the CIS countries, such as Virolainen A.O., Ignatushchenko E.I., Melnikova I.A., Nechaev A.S., Rodionov I.I., Ryumina Yu. A.A., Tumina T.A., Fatkhutdinov R.A. other.

Research methodology. Systematic approach, abstract-logical thinking, grouping, comparison, factor analysis, selective observation methods were used in the research process.

Analysis and results. Despite the work of the above economists, today there is no comprehensive study of the problems of investment support for innovative processes in the national economy, as the main factor in increasing the volume of innovative products. All of the above proves the need for a separate study of the theoretical foundations of investing in the innovative development of the national economy.

National innovation systems differ from each other in a variety of forms, methods, sources and volumes of investment support for innovation. In recent years, large-scale work has been carried out in Uzbekistan aimed at increasing the efficiency of research activities, strengthening the role of science in social and economic development. Work is underway on state scientific and technical programs, the commercialization of the results of scientific research aimed at solving the most important scientific and technological problems of the development of modern industrial production, energy, agriculture and other sectors of the economy.

At the same time, various sources are involved in ensuring the innovation and investment development of the national economy: state budget funds, developers' own funds and savings, foreign investments, customer funds, etc.

As world experience has shown, in economically developed countries, private and corporate resources and funds prevail among the sources of investment support for innovation, in developing countries scientific research is carried out at the expense of investments of large corporations and foreign partners, in transition economies, as a rule, the main source of support and development of innovation activities are the state budget funds.

To determine the main sources of investment support for research and development in the national economy, we determined the share of each source in Uzbekistan for the period 2014-2020 (see Table 1).

**Table 1.**

***Structure of sources of investment in R&D carried out on their own by organizations in Uzbekistan, %<sup>4</sup>***

	2016	2017	2018	2019	2020	2021	2022
Total investment, including:	100	100	100	100	100	100	100
budget resources	56.9	58.8	57.8	58.7	57.3	56.1	55.1
extrabudgetary funds	2,3	1.4	3.9	4.3	3.8	2.7	2.9
own funds organizations	16.8	19.8	21.6	22.9	24.5	29.4	35.6
customer funds	23.4	19.1	15.9	13	13.7	11.2	6.1
funds of foreign investors	0.6	0.9	0.8	1,2	0.7	0.6	0.3

As can be seen from the data in the table, the main source of investment support for research and development for the analyzed period is budget funds, the share of which in recent years has been about 50-60 % of the total investment. The share of off-budget funds and foreign investors in support of R&D is insignificant and in aggregate amounts to no more than 5% in the total volume of investments. It should be especially emphasized that if in 2016 customer funds accounted for 23.4%, then in 2022 this figure dropped to 6.1%. With the expansion of the scale of modernization of the economy, the need for innovative products grew, and the decrease in the share of customers' funds is explained by the fact that customers satisfied their needs mainly through the import of innovative or high-tech products. A significant increase in the share of enterprises' own funds from 16.8% to 35.6% of the total volume.

To support innovative activities, budgetary funds are allocated from the republican budget by Section 202 "Science". These funds are directed to investment support of state and international scientific and technical programs (programs of fundamental, applied research and innovative developments), to the maintenance of unique scientific objects, individual research institutes, archives, salaries of experts and salaries of senior research workers-applicants.

Until 2022, the main government body making centralized investments in the implementation of scientific and technical programs for fundamental, applied research and innovative development was the Agency for Science and Technology of the Republic of Uzbekistan. By the Decree of the President of our country UE No. 5264 dated November 29, 2021, this Agency was abolished and the Ministry of Innovative Development of the Republic of Uzbekistan was established, which is designed to pursue a unified state policy in the field of innovative and scientific and technological development of our republic.

It should be noted that during the activities of the Agency for Science and Technology, there was “an insufficient level of commercialization, amounting to 0.5 percent per year of the number of inventions patented over the past 5 years, financed from the State budget of the Republic of Uzbekistan; and the main criteria for assessing the effectiveness of research and higher educational institutions was the number of published scientific articles and created intellectual property objects without taking into account the results of their implementation.” Therefore, the Ministry of Innovative Development of the Republic of Uzbekistan pays great attention to the commercialization of the results of scientific and scientific and technical activities after completion state scientific and technical projects financed from the state budget on a grant basis.

To provide investment support for the implementation of scientific and technical programs on a competitive basis, under the Ministry of Innovative Development of the Republic of Uzbekistan, a Fund for Supporting Innovative Development and Innovative Ideas has been organized. Funds are formed from:

- 90 percent of foreign exchange funds received by the Agency for Intellectual Property of the Republic of Uzbekistan at the expense of patent fees, fees and other non-tax payments;
- grants and loans from international financial organizations and institutions;
- charitable donations from legal entities and individuals, including foreign ones;
- other receipts not prohibited by law.

In addition, the Presidential Fund for the Commercialization of the Results of Scientific and Scientific and Technical Activities, which supports projects with a high degree of commercialization, functions on a permanent basis under the Ministry of Innovative Development. This fund is formed at the expense of “state budget funds, grants and loans from international

financial institutions and other foreign donors; income from the placement of temporarily free funds of the Fund on deposits of commercial banks and other sources not prohibited by law.” The funds of this fund ensure the implementation of innovative projects with a high degree of investment attractiveness throughout the year.

The volume of centralized investment in innovation has a steady growth trend. The growth in the share of innovative developments in research is consistent with the long-term goals of innovative development of the national economy. The volume of foreign investment in the field of innovation is insignificant; accordingly, in order to accelerate the pace of innovative development, it is necessary to rely on internal sources of investment and growth reserves. The share of investments of domestic customers in the total volume of investment support tends to decrease, which suggests the need to revitalize the activities of scientific organizations and institutions through indirect methods of regulation, the creation of favorable conditions for innovation, so that the innovative products of domestic developers are competitive and meet the requirements of customers.

The dynamics of the growth of scientific and technical developments is a necessary element of the innovative development of the economy, since they are used to increase the technological level and competitiveness of production, to ensure the output of innovative products to the sales markets.

Also, the structure of sources of investment in innovation activity differs depending on the industry in which research and development work is carried out. The distribution of investments by industry in the national economy for 2022 can be analyzed using the data in Table 2.

**Table 2.**

***Share of sources of investment in R&D in the context of industries carried out by organizations' own resources in 2022%***

	Total investment		Industry	Agriculture and forestry	Building	Health, physical education	Education culture, science, art	other non-production industries
	million soums	Ud. weight, %						
In total, of which:	354510.2	100	11.4	0.36	0.3	1.8	85.1	0.97
Budget funds	207995.6	58.7	0.1	0.35	0	1.8	55.5	0.97
Funds extrabudgetary funds	15148.7	4.3	0	0.01	0	0	4.3	0
Own funds	81088.1	22.9	11.3	0	0.3	0	11.3	0
Funds customers	45929.7	12.9	0	0	0	0	12.9	0
Foreign investments	4348.0	1,2	0	0	0	0	1,2	0

The data in the table indicate that the costs of research and development work carried out by organizations' own forces in 2020, in the sectoral context, mostly accounted for the spheres of

education, culture, art, science and scientific services (85.1%), on industry (11.4%) and healthcare (1.8%).

Most of the research in the field of education, culture, art, science and scientific services was invested from the republican budget (55.5%) and customer funds (12.9%), as well as own funds of enterprises (11.3%). The smallest share of investment in R&D by industry is observed in the construction industry (0.3%) and other non-manufacturing industries.

### **Conclusions.**

Analysis of the current state of innovation and investment development of the national economy showed that in Uzbekistan the main source of investment support is budgetary funds. In addition, enterprises use their own funds in the investment support of R&D. The share of customers' investments in recent years has decreased, and this can be explained by the fact that the needs for new and improved products were satisfied by them through the import of innovative products. The share of funds of foreign investors and off-budget funds is insignificant and amounts to less than 5% of the total volume of investment support for innovative activities.

The study of the Tax Code of the Republic of Uzbekistan gives grounds to conclude that the available tax incentives for enhancing scientific, scientific, technical and innovative activities are clearly not enough in the context of the economy's transition to an innovative path of development. Tax preferences provided in separate regulatory and legal documents (Decrees, Resolutions of the

President and Governments) have time limits, which makes them less attractive to strategic investors.

In addition, the huge potential of the financial market, which transforms the savings of the population into investments necessary for the purposes of innovative development, is not sufficiently used in the national economy.

Despite the variety of forms, methods, sources of investment support for innovation in world practice, one can notice a number of general patterns of innovation and investment development of the economy of a number of countries and combine them into four models. The state's ongoing innovation policy, the distribution of investment resources by research areas and stages of the innovation process, depend on the features of each model.

When implementing an innovation policy in Uzbekistan, identifying and taking into account modern global trends that characterize the latest changes in the global innovation system will increase the efficiency and timeliness of ongoing reforms in the innovation and investment development of the national economy.

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