

# THE IMPORTANCE OF INVESTMENT RESOURCES IN THE EFFECTIVE FUNCTIONING OF FREE ECONOMIC ZONES AND DIRECTIONS FOR ITS IMPROVEMENT

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**Abstract.** *This article discusses free economic zones, their role and importance in the economy of the republic, ways to turn free economic zones into an effective tool for further development and competitiveness of the national economy, the possibility of increasing investment attractiveness and considers the investment environment. In addition, the concept of investment resources is defined from a scientific point of view. In addition, the opinions expressed by economists who conducted their scientific research on free economic zones were studied. At the end of the study, ensuring the investment attractiveness of free economic zones, a general conclusion is made about the development and implementation of effective investment programs, as well as the realization of the possibilities of using these zones in the course of improving the methods for the optimal use of investment resources. A number of proposals have been made related to the implementation of the experience of developed and internationally developed countries.*

**Keywords:** *free economic zone, special economic zone, investments, investment object, investment resources, real investment resources, tangible investment resources, intangible investment resources, preference.*

## Introduction

In the process of rapid globalization of the world economy, each country defines its own development prospects and ways of economic development. The deep reforms implemented in Uzbekistan are proof of this. In particular, the President of the Republic of Uzbekistan's "New O In the 21st goal of Section III. Rapid development of the national economy and ensuring high growth rates of the Development Strategy of Uzbekistan, it is stated as follows: By ensuring stable high growth rates in economic sectors, the population will to increase the gross domestic product per capita by 1.6 times and to increase the per capita income from 4,000 US dollars by 2030, as well as to create the basis for entering the ranks of "countries with an income above the average" [1] Along these lines, the development of the country's economy requires the development of each region. Currently, in world practice, the creation of Free Economic Zones (FEZs) in the regions, the production of competitive and export-oriented products and the provision of services based on the support of their activities by providing incentives are widely used. It is important to attract investments to such sectors.

For this reason, the improvement of the activities of the FEZs, which have taken a successful place in the international experience in further improving the country's economy and investment activities, is becoming one of the important directions of economic development and investment attraction. The Law of the Republic of Uzbekistan "On Special Economic Zones" was adopted. According to the definition given in this law: "special economic zone - foreign investments and local investments, high technologies for rapid socio-economic development of

the relevant territory and a territory with defined boundaries and a special legal regime, specially allocated for the purpose of attracting management experience" [2]. The main goal of creating free economic zones is to develop the economy of a certain area, create new jobs and support the employment of the population, attract national and foreign investments and create a favorable investment environment for investors in this regard, reduce state interference in these areas, import It is to establish the production of substitute and competitive products in foreign markets by qualified specialists using modern technologies and to increase the capacities of enterprises.

Today, 23 free economic zones are operating in our country, 20 of them were established after 2016. In addition to general free economic zones, it is necessary to note that free economic zones have been established in important areas such as tourism and pharmaceuticals. On February 17, 2020, the Law of the Republic of Uzbekistan "On Special Economic Zones" was adopted in terms of general regulation of the activities of free economic zones, technological parks and small industrial zones. Based on the decree of the President of the Republic of Uzbekistan dated October 26, 2016 No. PD-4853[3] on additional measures to activate and expand the activities of free economic zones, the status and privileges of all free economic zones were equalized.

In order to turn free economic zones into an effective means of increasing the competitiveness of the national economy and to activate the attraction of investments, national and foreign investments, the clear strategies for their development in the republic today are, first of all, reliable financial sources of the proposed investment projects, including local and foreign credit resources. , reliable provision at the expense of direct foreign investments, secondly, effective use of production capacities of enterprises put into operation in the territory of free economic zones, as a result of which business plans are approved for production and export volumes and the number of jobs it is required to ensure compliance with the parameters.

### **Literature review**

In the process of analyzing the literature on the subject, it was learned that scientific researches were conducted by several leading economists and experts in order to reveal the main characteristics and importance of free economic zones and their activities, sources of effective financing of investment projects. Among foreign economists, M. Frazee, R. Types of free economic zones, activities and issues of investment attraction were studied in researches, scientific works, brochures and articles by Rena, T.Farole, I.Shablinsky, V.Popov, T.P.Danko, D.Adrianov, I.P.Fominsky. Also, some aspects and solutions of the existing problems in this regard were researched and studied in the scientific works of the economists of our republic A.V. Vakhabov, Sh.Kh. Khajibakiyev, N.G.Mo'minov, J.Karimkulov, D.Khujamkulov, B.Mamatov.

In the economic literature created by the above scholars, free economic zones are defined differently. In particular, in the textbook published under the guidance of the Russian scientist I.P. Fominsky [4], free economic zones are defined as a specific area that provides benefits in relation to the general economic activity regime adopted in this country.

According to T.Avishek, free economic zones are separate duty-free enclaves, and he describes them as a foreign territory for trade operations, customs and tariffs[5].

Advanced economists of our country approach the preferential order in free economic zones and the field of administrative management in a different way. Therefore, A.V. Vakhabov, Sh.Kh. Khajibakiyev, N.G. According to the Mominovs, a free economic zone is a limited area where a special preferential economy applies for local and foreign entrepreneurs [6].

In the book "Organization and Financing of Investments" by Mamatov et al., the economic essence of investment organization and financing, the main stages of investment financing processes, the economy the role of foreign investments in development is described. Also, topics such as the role of the investment environment in the development of investment organization and financing, syndicated lending of investment projects, and evaluation of the financial and economic efficiency of investments have been studied [7].

### **Analysis and results**

The scientific research in this article is based on the following methodological principles. Free economic zones and their types are classified. The importance of investment resources and prospects for their use in financing the activities of free economic zones and providing them with preferential conditions are described. In investing, free capital is converted into tied capital and tied to tangible or intangible assets.

One of the insufficiently studied issues of investment planning it is the interaction of financing and investment. Investment is accumulated capital. When it comes to investment decisions, the goal is to use the invested capital as efficiently as possible. The practical use of a certain method of investing in projects often requires taking into account the specific features of the assessment of the effectiveness of financing sources in a certain region. The analysis of methods and types of formation of an effective system of financing investment activities in the region by means of investment resources is based on the use of methods such as systematic analysis, comparative analysis, modeling, observation.

Currently, the use of the factor of free economic zones for the further development of the country's economy is one of the main activities for achieving high results and goals. It is necessary to focus on investment. The term "investments" is derived from the Latin word "invest", which means to spend money. Investments are the connection of capital to certain processes, for a certain period of time in the conditions of clear or uncertain, but possible risks, and it is a process of purposeful investment in financial and real assets in order to ensure its current value, capitalization and accumulation.

According to the Law of the Republic of Uzbekistan "On Investments and Investment Activities" that entered into force on 27.01.2020[8] - based on risks to the objects of the social sphere, entrepreneurship, scientific and other types of activities in order to make a profit by the investor included tangible and intangible assets and rights to them, including rights to intellectual property objects, as well as reinvestments. Investment projects can be financed from one source or from several sources at the same time. Many countries create preferential conditions to attract foreign investments, in particular:

- guarantees preservation of capital and compensation of losses;
- introduces preferential taxation and allows free transfer of profits abroad;
- reinvestment of received income and others

creates conditions. Contribution of investment to national income investment rate is called This is calculated based on the following formula:

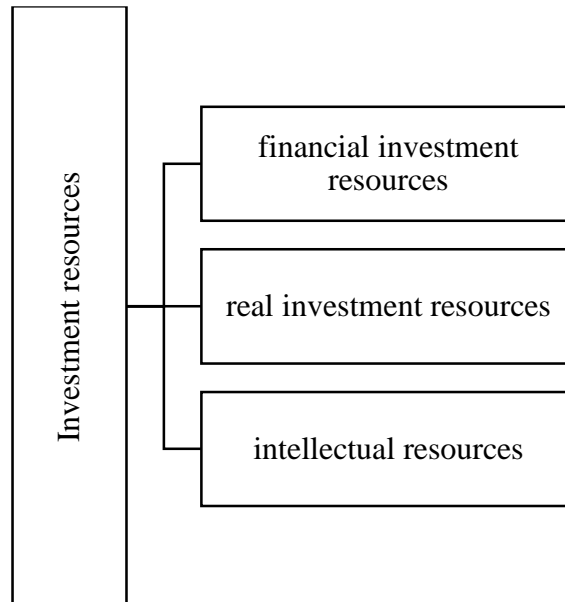
$$\text{GDP} = (\text{GIA} / \text{GNI}) \times 100 \quad (1)$$

GDP=Gross investment rate;

GIA-Gross investment amount;

GNI-Gross National Income.

The investment resources related to the object of investment activity will consist of the following: money and other financial resources; movable and immovable property and rights related to them, objects of intellectual property; the right to own and use land and other natural resources, buildings, structures, equipment, as well as material rights arising from property rights. Accumulated resources are divided into real, financial and intellectual investments depending on the investment objects.



**Figure 1. Investment resources[9]**

There is a point of view that the composition of investment resources should be interpreted in a broader way at the expense of material and labor resources. In general, it can be seen as follows: investment resources are the sum of material, labor and financial resources invested in various objects in order to receive income and other benefits. For example, in the new version of the Law "On Investments and Investment Activities" dated 25.12.2019, investment resources are defined as follows, Article 7: Investment resources include:

cash (including foreign currency) and other financial assets, including loans, shares, shares, shares and other securities;

movable and immovable property (buildings, structures, equipment, machines and other tangible assets) and rights to them;

intellectual property objects, including technical, technological, commercial and other formalized, patented or unpatented (know-how) in the form of technical documents, skills and production experience necessary for the organization of one or another type of production knowledge;

rights to land plots, rights to own and use other natural resources, as well as other material rights arising from property rights.

Real investments are considered to be all kinds of wealth that investors put in fixed funds and working capital. Financial investments refer to investments in shares, bonds and other types of securities, term deposits. Due to the fact that the financial market is still being formed in our republic, financial investments should be further developed. With the development of the process of expropriation and privatization of property, securities will develop and the process of making financial investments will become more active. These are tools that create opportunities for business entities to earn income. Therefore, investors invest according to the level of participation

of their assets in the process of generating income. Intellectual potential remains the most active part of production in the current period, when scientific and technical progress is developing very rapidly. That is why in developed countries the expenses for personnel training, scientific investigation and education are increasing year by year. Intellectual investment personnel are all types of wealth that investors put in intellectual potential in the form of training, research, education and other forms. As the influence of science and technology of production increases, the importance of intellectual investments increases.

The role of free economic zones in the introduction of investment resources and their wide use is important, and their number is increasing. In the form of investment tax credits and targeted tax credits for the financing of investment and innovation costs, the privilege, relief, privileges, advantages and priorities given to certain sectors and industries, enterprises and types of production in the purposeful development and regulation of the economy [9]. Establishing the optimal use of investments and investment resources in the effective operation of free economic zones plays an important role in the implementation of the tasks set in the country's economy.

### **Conclusions and recommendations**

In conclusion, Free Economic Zones are established in certain areas of the region and serve to develop the infrastructure of the selected region. Investment resources are the unique aspects of investing in FEZs. Increasing investment attractiveness in FEZs and increasing national and foreign investment flows. The following suggestions were made for the establishment of a system of using foreign experiences in reproduction:

- Using the experience of developed countries, attracting qualified personnel and labor resources with intellectual potential to this process, emphasizing not only the real and material, but also the intangible type of investment resources in FEZs, using the scientific potential of prestigious higher education institutions;
- In order to actively attract foreign investments, to provide constant and accurate and new information on the statistical indicators of the activities of the FEZs on the official websites of the FEZs, as well as to create opportunities for freer transmission of information;
- To provide foreign investors with information on the process of economic activity carried out in FEZs with a system of accounts adopted on the basis of international standards.

This allows foreign investors to make reliable and qualified financial decisions, because they can see exactly what is happening with the company they want to invest in and get to know it. As a result, it is possible to have a positive effect in the elimination of economic and social problems in FEZs.

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