

A STUDY ON CAPITAL INVESTMENTS AND ECONOMIC GROWTH OF UZBEKISTAN

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ABSTRACT

The research analyses trends of capital flows in economy of Uzbekistan from 2002 to 2022. It can be seen that Uzbekistan's capital investments in current prices increased by \$16.2 billion (4.1 times) to \$21.4 billion and capital investments per capita in Uzbekistan increased by \$385.6 (2.5 times) to \$639.2 during this period.

KEYWORDS: *Investment, Economy, Domestic Product, Economic Growth.*

INTRODUCTION

In general, economic growth occurs as a result of an increase in the production of goods and services. An increase in consumer spending, an increase in international trade, and businesses that increase their investment can affect the level of production of goods and services in an economy.

For example, as consumers buy more homes, home builders and contractors see revenues rise. As companies invest in their businesses to expand their products and services, they are hiring more employees and increasing wages. All of this activity leads to economic growth, which can be measured by gross domestic product (GDP) - the total monetary or market value of all finished goods and services produced within a country's borders in a given period.

It is known to all that foreign investment is welcome in all countries whose economy is open. Foreign investments serve as an impetus for the economic development of countries, especially developing countries. The volume of foreign investment continues to grow rapidly, strengthening the role of international production in the world economy.

It can be argued that the impact of foreign investment on the economy of the host country is contradictory: it can be both positive and negative.

The positive impact of foreign investment on the economy of the host country includes several aspects. First, foreign investment is a stable source of funding. A constant influx of foreign investment ensures the continuous flow of capital into the economy of the host country, which increases its productive capacity, and also affects the accumulation of capital.

Secondly, investing capital in the economy of another country entails the transfer of technology, management skills, and the exchange of experience. Industrial technologies are developed on the territory of the host country, which increases its level of technological development.

In turn, increasing the level of technological development requires the availability of skilled workers. Thus, foreign investment stimulates the growth of demand for a highly skilled

workforce, increases the level of well-being of the population, since investing enterprises, countries pay higher wages compared to local firms.

Therefore, in this paper we study flows of capital investments into Uzbekistan covering the period 2002-2022 years. The paper consists of three parts following introduction, literature review, and analysis and discussions.

LITERATURE REVIEW

Whether a faster rate of physical capital accumulation is a key determinant of growth transitions, or whether growth shifts are mostly the result of a "unexplained" or "mysterious" total factor productivity (TFP)/technology progress component, is a major policy issue in developing economies (King and Levine 1994; Easterly and Levine 2001; Bosworth and Collins 2003; Helpman 2004; Baier et al. 2006; Aghion and Howitt 2007; Jones and Olken 2008; Bond et al. 2010; Herrerias and Orts 2012; Gollin 2014; Tang and Tan 2014; Nell 2015). According to a review of cross-country empirical research, there is no clear consensus on the relative relevance of physical capital accumulation in the growth and development process.

On the one hand, Easterly and Levine (2001) attribute the majority of disparities in per capita income growth rates among nations to TFP growth, both quantitatively and causally. On the other hand, Bosworth and Collins (2003)'s growth accounting exercise and Bond et al. (2010)'s causation tests reveal that physical capital accumulation remains a significant source of growth.

De Long and Summers (1991 and 1993) investigated the relationship between investment or physical capital and total factor productivity and discovered that countries that devote a larger part of their output to machinery tend to have higher levels of TFP (TPF). De Long and Summers (1994) also found that, when wealthy countries are excluded from the sample, imports account for the majority of machine investment, and this is how foreign technology is integrated. Similarly, Rodrik (1994) and Lee (1995), for example, advocated for more access to information technology, particularly when it comes to capital goods imports.

Englander and Gurney (1994) assessed the contributions of new approaches to economic growth theory aimed at better understanding the phenomenon.

Analysis and Discussion of Capital Investment Flows in to Uzbekistan

For 1990-2020 Uzbekistan's capital investments in current prices increased by \$16.2 billion (4.1 times) to \$21.4 billion; the change was \$3.3 billion due to a population growth of \$13.1 million, and \$12.9 billion due to a \$385.6 increase in capital investment per capita. The average annual growth of capital investments in Uzbekistan was at the level of \$0.54 billion or 4.8%. The average annual growth of capital investments in Uzbekistan in constant prices is 8.7%. The share in the world increased by 0.0058%. The share in Asia decreased by 0.11%. The minimum capital investment was in 2002 (\$2.3 billion). The maximum capital investment was in 2019 (\$23.6 billion).

For 1990-2020 capital investments per capita in Uzbekistan increased by \$385.6 (2.5 times) to \$639.2. The average annual growth of capital investments per capita in current prices was at the level of 12.9 dollars or 3.1%.

The change in capital investments in Uzbekistan is described by a linear correlation-regression model: $y=0.60x-199.8$, where y is the estimated value of capital investments in Uzbekistan, x is the year. Correlation coefficient = 0.844. Coefficient of determination = 0.712.

Capital Investments of Uzbekistan, 1990-2002 (Drop)

During 1990-2002. capital investments of Uzbekistan in current prices decreased by 2.9 billion dollars (by 55.8%) to 2.3 billion dollars; the change was \$1.3 billion due to population growth of \$5.0 million, and \$4.2 billion due to a \$163.6 fall in capital investment per capita. The average annual growth of capital investments in Uzbekistan is -0.24 billion dollars or -6.6%. The average annual growth of capital investments in Uzbekistan in constant prices amounted to 1.9%. The share in the world decreased by 0.062%. The share in Asia decreased by 0.21%.

For the period 1990-2002. capital investment per capita in Uzbekistan decreased by \$163.6 (by 64.5%) to \$90.0. The average annual increase in capital investments per capita in current prices is -13.6 dollars or -8.3%.

Capital Investments of Uzbekistan, 2002-2020 (Growth)

For the period 2002-2020 capital investments of Uzbekistan in current prices increased by \$19.1 billion (by 9.4 times) to \$21.4 billion; the change was \$0.72 billion due to a population growth of \$8.0 million, and \$18.4 billion due to a \$549.2 increase in capital investment per capita. The average annual growth of capital investments in Uzbekistan was at the level of 1.1 billion dollars or 13.2%. The average annual growth of capital investments in Uzbekistan in constant prices was at the level of 13.4%. The share in the world increased by 0.067%. The share in Asia increased by 0.10%.

During 2002-2020 capital investments per capita in Uzbekistan increased by \$549.2 (7.1 times) to \$639.2. The average annual growth of capital investments per capita in current prices was at the level of \$30.5 or 11.5%.

Capital Investments of Uzbekistan, 2020

Capital investments of Uzbekistan in 2020 amounted to 21.4 billion dollars, ranked 64th in the world and were at the level of capital investments of Greece (22.0 billion dollars), capital investments of the Dominican Republic (21.6 billion dollars), capital investments of Turkmenistan (21.2 billion dollars), capital investments of Sri Lanka (20.7 billion dollars), capital investments of Slovakia (20.7 billion dollars), capital investments of Panama (20.4 billion dollars), capital investments of Ukraine (20.3 billion dollars) . The share of capital investments of Uzbekistan in the world was 0.096%.

Capital investment per capita in Uzbekistan in 2020 was 639.2 dollars, ranked 144th in the world and was at the level of capital investment per capita in Palestine (664.1 dollars), capital investment per capita in El Salvador (660.2 dollars), capital investment in per capita in Bangladesh (635.4 dollars), capital investment per capita in Tunisia (616.3 dollars), capital investment per capita in Venezuela (611.6 dollars), capital investment per capita in Nigeria (597.3 dollars). Capital investment per capita in Uzbekistan was less than capital investment per capita in the world (\$2,852.0) by \$2,212.8.

Comparison of capital investments of Uzbekistan and neighbors in 2020. Capital investments of Uzbekistan were more than capital investments of Turkmenistan (21.2 billion dollars) by 0.77%, capital investments of Tajikistan (2.1 billion dollars) by 10.2 times, capital investments of Kyrgyzstan (2.0 billion dollars) by 10.9 times, but were less than the capital investments of Kazakhstan (42.2 billion dollars) by 49.4%. Capital investment per capita in Uzbekistan was more than capital investment per capita in Kyrgyzstan (\$302.1) by 2.1 times, capital investment per cvapita in Tajikistan (\$219.9) by 2.9 times, but was less than capital investment per capita population in Turkmenistan (3 520.1 dollars) by 81.8%, capital

investments per capita in Kazakhstan (2 249.8 dollars) by 71.6%.

TABLE-1 CAPITAL INVESTMENTS OF UZBEKISTAN AND NEIGHBORING COUNTRIES (THE ORDER OF RELATION TO THE INDICATOR OF UZBEKISTAN)

Countries	1990	2000	2010	2020
Kazakhstan	0.35	-0.078	0.50	0.30
Uzbekistan	0.0	0.0	0.0	0.0
Turkmenistan	-0.75	-0.34	0.016	-0.0033
Tajikistan	-1.5	-1.8	-0.91	-1.0
Kyrgyzstan	-0.93	-1.2	-0.92	-1.0

Capital investments of Uzbekistan were less than capital investments of China (6 313.5 billion dollars) by 99.7%, capital investments of the USA (4 478.9 billion dollars) by 99.5%, capital investments of Japan (1 279.5 billion dollars) by 98.3 %, capital investments of Germany (845.4 billion dollars) by 97.5%, capital investments of India (722.0 billion dollars) by 97%. Capital investment per capita in Uzbekistan was greater than capital investment per capita in India (\$523.2) by 22.2%, but was less than capital investment per capita in the United States (\$13,531.5) by 95.3%, capital investment by per capita in Japan (\$10,116.4) by 93.7%, capital investment per capita in Germany (\$10,089.8) by 93.7%, capital investment per capita in China (\$4,386.5) by 85.4%.

TABLE-2 CAPITAL INVESTMENTS OF UZBEKISTAN AND LEADING COUNTRIES (THE ORDER OF RELATION TO THE INDICATOR OF UZBEKISTAN)

Country	1990	2000	2010	2020
China	1.3	2.0	2.4	2.5
USA	2.4	2.8	2.4	2.3
Japan	2.3	2.6	2.1	1.8
Germany	1.9	2.1	1.8	1.6
India	1.2	1.5	1.7	1.5
Uzbekistan	0.0	0.0	0.0	0.0

With per capita capital investment at the same level as US per capita capital investment (\$13,531.5), Uzbekistan's capital investment would be \$452.9 billion, 21.2 times the actual level. With a per capita capital investment at the same level as the per capita capital investment of Turkmenistan (\$3,520.1), the best neighbor, Uzbekistan's capital investment would be \$117.8 billion, 5.5 times the actual level. With capital investment per capita at the same level as capital investment per capita in the world (\$2,852.0), Uzbekistan's capital investment would be \$95.5 billion, which is 4.5 times the actual level. With per capita capital investment at the same level as Asia's per capita capital investment (\$2,391.2), Uzbekistan's capital investment would be \$80.0 billion, 3.7 times the actual level. With capital investment per capita at the same level as capital investment per capita in Central Asia (\$1,196.5), Uzbekistan's capital investment would be \$40.1 billion, which is 87.2% more than the actual level.

TABLE-3 CAPITAL INVESTMENTS IN UZBEKISTAN (2002-2020)

year	Capital investments, bln. USD.	Per capita capital investments, долларов	Capital investments, bln. USD.	capital investments growth, %	share of capital investments in GDP, %	share of Uzbekistan, %		
	Current prices		Basic prices 1990			World	Asia	Central Asia
2002	2.3	90.0	6.5	3.6	19.5	0.029	0.092	20.9
2003	2.3	88.9	6.8	4.5	19.0	0.026	0.082	18.1
2004	3.0	114.3	7.1	4.9	20.8	0.029	0.093	17.4
2005	3.3	125.2	7.6	7.0	19.4	0.029	0.093	14.3
2006	3.9	146.7	8.3	9.1	19.1	0.032	0.10	12.0
2007	5.5	202.2	10.2	22.9	20.7	0.039	0.12	13.0
2008	8.3	300.9	13.1	28.3	23.6	0.053	0.16	15.5
2009	10.0	357.8	16.3	24.8	25.0	0.070	0.18	18.5
2010	11.3	396.2	20.1	23.2	24.1	0.072	0.17	18.3
2011	12.6	433.8	20.7	2.6	22.1	0.071	0.16	17.4
2012	14.2	481.8	22.8	10.6	22.2	0.077	0.17	17.3
2013	15.9	532.0	25.4	11.3	23.1	0.083	0.18	17.3
2014	17.9	589.4	27.9	9.8	23.4	0.091	0.20	19.3
2015	19.0	615.6	30.5	9.4	23.3	0.10	0.22	22.6
2016	18.7	593.9	31.8	4.1	22.8	0.099	0.21	25.6
2017	15.1	473.0	38.0	19.4	25.6	0.074	0.15	20.1
2018	16.6	511.1	49.3	29.9	32.9	0.075	0.15	21.0
2019	23.6	715.7	68.1	38.1	40.9	0.10	0.21	25.3
2020	21.4	639.2	62.5	-8.2	37.1	0.096	0.19	24.1

CONCLUSION

As mentioned above, foreign investment plays an important role in the economic development of countries. Because with the help of foreign investment in different countries of the world, new enterprises are being created that will produce new types of goods that expand the range of the countries' economies. Thus, we were faced with the task of defining the concept and types of foreign capital, revealing the role of foreign capital in the economic development of the host country, considering global trends in the movement of foreign capital and exploring trends in attracting foreign capital and its role in the economy of Uzbekistan.

These tasks have been considered and studied in two chapters. In Literature review part, theoretical foundations of the concept of foreign capital were examined, in particular, the role

of foreign capital in the economic development of the host country was revealed and global trends in the movement of foreign capital were analyzed. Having considered these tasks, we will have to say that in today's time, in which the process of globalization is taking place, foreign investment is a very important factor for the development and improvement of the economies of the countries of the world. The more foreign investment in the country, the more goods are produced in the territory of this country. And this means that the volume of GDP of this country will increase. Consequently, the growth of the country's GDP leads us to achieve an improvement in the welfare of the population.

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