

## INVESTMENTS AND THEIR IMPACT ON ECONOMIC GROWTH

**Qo'ldosheva Dilbar G'ofurjon qizi**

Tashkent State University of Economics

Faculty of Digital Economy

1st-year student, Department of Statistics

<https://doi.org/10.5281/zenodo.20047578>

**Abstract:** This article analyzes the role and significance of investments in economic growth and examines the impact of investments on production volume, employment levels, and technological development. Furthermore, historical perspectives on the impact of investments on the economy are also reviewed.

**Keywords:** Investment, economic growth, foreign investment, domestic investment, economic development, employment rate, infrastructure, labor productivity, capital accumulation, sustainable growth, gross domestic product (GDP).

### **Introduction:**

In the current era of globalization, it is essential for every country to implement an effective investment policy to develop its economy. Investments are the primary driving force of economic growth; they facilitate the expansion of production volumes, the introduction of new technologies, and the enhancement of economic efficiency.

Investments are considered a particularly vital factor in ensuring economic growth for developing nations. This is because, in conditions of capital shortage, investments provide the opportunity to modernize production and develop new industrial sectors. Along with this, the investment climate—namely the political stability, the legislative base, the tax system, and the level of infrastructure—plays an important role in attracting investors.

The connection between investments and economic growth is one of the central issues of economics, and extensive research has been conducted in this direction by various scientific schools. Evolution of views on this matter allows for a broader understanding of the role of investments in economic processes.

The Keynesian approach interprets investments as the main driver of economic activity. In his theory, John Maynard Keynes presented investments as an inseparable part of aggregate demand, arguing that their growth leads to an increase in production volume and employment levels. It is emphasized that by stimulating investments, especially during periods of economic downturn, the recovery process of the economy can be accelerated. The scientific explanation of how changes in investment volume can affect national income several times over is provided through the multiplier effect.

Within the framework of Neoclassical economic growth theory, investment is viewed as the primary source of capital accumulation. The model developed by Robert Solow links economic growth with factors of capital, labor, and technology. This approach reveals the role of investments in expanding production capacities; however, the long-term sustainability of economic growth is primarily determined by technological progress. Therefore, it is specifically noted that to increase the efficiency of investments, they must be directed toward high-tech and innovative sectors.

In modern economic views, investments are interpreted in an even broader sense. In the Endogenous growth theory proposed by Paul Romer, investments directed toward knowledge,

science, and innovation are regarded as the main source of economic development. This approach shows that economic growth is linked to internal resources and human capital. Consequently, investments made in education, scientific research, and innovative activities ensure long-term sustainable growth.

International studies also confirm the importance of investments. Reports published by the World Bank and the International Monetary Fund note that foreign direct investment (FDI) has a significant positive impact on the economies of developing countries. As a result of such investments, modern technologies are introduced, management experience is shared, and opportunities for integration into the international market expand. This serves to increase national economic competitiveness.

When the above scientific views are summarized, it becomes clear that investments are a vital factor in economic growth. Their impact is determined not only by quantitative indicators but also by qualitative aspects—namely, which sectors they are directed toward and how they are managed. Therefore, in modern economic policy, the efficient and rational distribution of investments is considered a priority task.

In recent years, the volume of investment in the economy of Uzbekistan has shown a stable growth trend. According to official statistical data, the volume of investments directed toward fixed capital amounted to approximately 352.1 trillion soums in 2023, and 333.8 trillion soums in 2024. These changes indicate that a high level of investment activity is being maintained in the economy.

According to the statistical results of 2024, the volume of investments increased by 27.6% compared to 2023, which is one of the important indicators of economic growth. Within the structure of investments, the share of foreign direct investment increased significantly, reaching 11.9 billion US dollars. This represents a 53.6% growth compared to previous years. The share of foreign investment in the Gross Domestic Product (GDP) settled at approximately 10.3%.

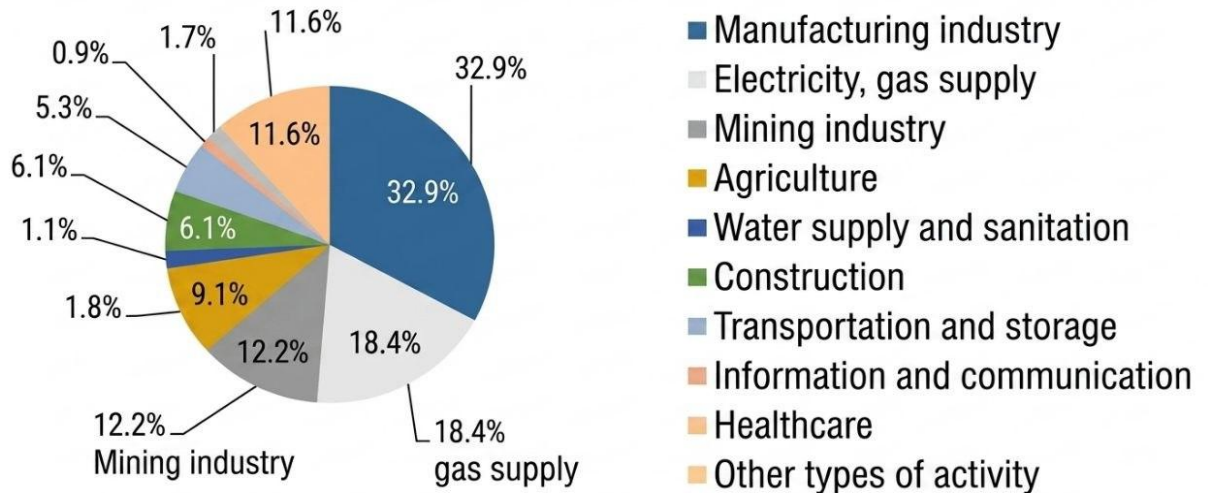
Internal and external sources hold an important place in the structure of investments. In particular, foreign investments and credits accounted for 50-68% of total investments during certain periods of 2024. This situation demonstrates the openness of the country's economy and the strengthening of international cooperation.

The industrial sector remains one of the leading directions in attracting investment. In 2024, investments directed toward the manufacturing industry amounted to 81.5 trillion soums, covering nearly 25% of total investments. This signifies the development of import-substituting production and the expansion of export potential. Additionally, investments in infrastructure hold a significant share. Sectors such as transport, energy, housing construction, and logistics account for approximately 20-25% of total investments, serving to increase the economic activity of the regions.

Investments in the digital economy and information technology are also increasing year by year. Although the share of investments in the IT sector is still small compared to traditional sectors, the growth rate is rising rapidly, with growth rates of 15-20% recorded in some years.

According to data from the National Statistical Agency, for the purpose of developing the economic and social sectors, 591.1 trillion soums of investments in fixed capital were utilized from all financing sources during January-December 2025. This indicator increased by 10.5% compared to 2024. During this period, foreign investments and credits directed toward creating new fixed assets amounted to 33.5 billion US dollars (or 422.1 trillion soums).

## FOREIGN INVESTMENT AND CREDITS IN FIXED CAPITAL BY TYPES OF ECONOMIC ACTIVITY IN THE REPUBLIC OF UZBEKISTAN



It should be noted that the leading countries investing in Uzbekistan include China (approx. 23-25%), Russia (13-14%), Turkey (6-8%), South Korea, Saudi Arabia, and the UAE. This cooperation strengthens the country's integration into the global economic system.

As a result of the increase in investment levels, the number of modern manufacturing enterprises in the country is also growing. Currently, the number of enterprises with foreign investment participation exceeds 17,000–18,000, operating in various sectors of the economy. This directly impacts the increase in the employment rate.

The growth in investment volume also has a positive effect on GDP dynamics. In recent years, Uzbekistan's economic growth rate has remained at an average of 5-6%, with the contribution of investments being considered very high.

At the same time, certain problems exist in the investment process. Disproportions in the distribution of investments between regions, the insufficient development of infrastructure in some areas, and the shortage of qualified personnel are seen as factors limiting investment efficiency.

In conclusion, the stable growth of investment volume in Uzbekistan indicates the rapid development of the economy. The formation of investment volumes in the range of 333-352 trillion soums in 2023-2024, the reaching of foreign investments to 11.9 billion dollars, and a growth rate higher than 27% confirm the increasing investment level of the country.

### References

1. Keynes, J. M. *The General Theory of Employment, Interest and Money*. London: Palgrave Macmillan, 1936. – 400 p.
2. Solow, R. M. *A Contribution to the Theory of Economic Growth // The Quarterly Journal of Economics*. – 1956. – Vol. 70, No. 1. – P. 65-94.
3. Romer, P. M. *Endogenous Technological Change // Journal of Political Economy*. – 1990. – Vol. 98, No. 5. – P. 71-102.
4. World Bank. *World Development Report 2023: Migrants, Destinies, and Societies*. – Washington, DC: World Bank, 2023.