

## IMPORTANCE OF FOREIGN INVESTMENTS IN THE DEVELOPMENT OF THE DIGITAL ECONOMY

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### Abstract:

This article analyzes the effectiveness of foreign investment in the development of the digital economy. That is, the impact of foreign investment on the development of the digital economy in the country has been studied. In addition, proposals have been developed to increase the efficiency of foreign investment in the development of the digital economy and increase the volume of foreign investment entering the economy.

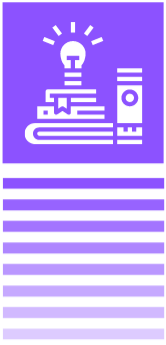
**Keywords:** Digital economy, foreign investment, investment climate, digital technologies, modern management.

Today, one of the most effective factors in the development of the country's economy is foreign investment. Rapid development of the country's economy can be achieved by increasing the inflow of foreign investment into the country's economy. Foreign direct investment is a major driver of globalization and plays a key role in today's global economy. It provides additional capital to countries' production processes and increases economic growth.

Not only is foreign investment a factor in the rapid development of the economy, but it also affects the development of the digital economy in the country.

It should be noted that the digital revolution, which is emerging as a new stage of economic and technological development, has dramatically changed the lives of mankind, created vast opportunities, and ushered in a period of intensification of international competition.

The digital economy is a key driver of growth and development. It can provide a boost to competitiveness across all sectors, new opportunities for business and entrepreneurial activity, and new avenues for accessing overseas markets

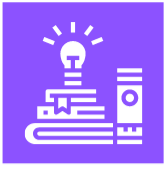


and participating in global e-value chains. It also provides new tools for tackling persistent development problems. Yet, it comes with a host of policy challenges, including the needs to bridge the digital divide, minimize potential negative social and development impacts, and deal with complex internet-specific regulatory issues. The opportunities and challenges associated with the digital economy are particularly important for developing countries.

The digital economy has important implications for investment, and investment is crucial for digital development. The adoption of digital technologies has the potential to transform the international operations of MNEs and the impact of foreign affiliates on host countries. And digital development in all countries, and in particular the participation of developing countries in the global digital economy, calls for targeted investment policies. As the volume of foreign investment increases, the digital economy will also develop in the country. In this regard, President Sh.M.Mirziyoev said: “World experience shows that a country that pursues an active investment policy has achieved sustainable economic growth. Therefore, it is no exaggeration to say that investment is the driver of the economy, in Uzbek, the heart of the economy. Along with investment, new technologies, advanced experience, highly qualified specialists will come to various industries and regions, and entrepreneurship will develop rapidly.”

The digital economy can be briefly described as the digitization of the economy that is the provision of sectors of the economy with digital technologies. This means that as new technologies enter the country with foreign investment, it will certainly have a positive impact on the development of the digital economy in the country.

As a result of reforms aimed at creating a favorable investment climate in our country, the volume of foreign investment in our economy is growing. If we analyze the inflow of foreign investment into the country's economy in 2019 alone, we can see the following: in 2019, 86653.1 billion. UZS (USD 9.8 billion) or 2.5 times more than in 2018. Foreign investment and the share of loans in total investments in fixed assets - 45.7%. The volume of disbursed foreign direct investment in 2019 will reach 37,171.3 billion. sums or 3.6 times more than in 2018.



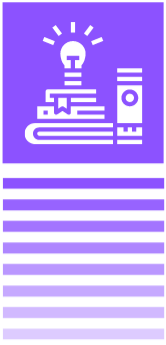
This indicates that the Uzbek economy is developing a favorable investment climate and creating more opportunities for investors. This, in turn, is having an impact on the country's digital economy.

It is expedient to implement the following proposals aimed at increasing the efficiency of foreign investment in the development of the digital economy in the country and increasing the inflow of foreign investment into the country:

- Regular improvement of legal, socio-economic and other conditions that ensure the widespread attraction of direct capital to the economy of the republic;
- Improving the system of providing benefits and preferences to foreign investors who provide the country with world-class technology, helping to create a modern structure of the economy;
- Further improve the system of support for foreign investors who bring digital technologies into the economy;
- Installation of high-tech, modern equipment that saves energy and is less harmful to the environment; introduction of advanced foreign technologies in accordance with local conditions, promotion of our inventions and investment in the knowledge economy.

The draft resolution of the Cabinet of Ministers provides for coordination of the necessary information systems and resources of state and economic bodies, local government bodies in the development of the digital economy in the Republic of Uzbekistan, the introduction of software and electronic services, the digital economy, information technology market in the country. Creating favorable conditions for attracting foreign investment through the organization of technology parks and coworking centers on the basis of partnership, development of modern telecommunications infrastructure, communication technologies and networks, development of the digital economy through the development of e-commerce and software market, transport logistics, security and Important areas have been identified, such as the development of "smart systems" for the "smart city", the improvement of the system of training qualified personnel.

While economic growth, and technology transfer to the host country are important consequences of FDI, development of technological infrastructure and human capital are critical prerequisites, and so antecedents for FDI. Moreover, while psychic distance has been pertinent so far in FDI decisions

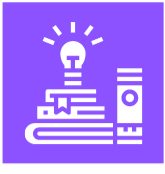


(UNCTAD,1997; UN, 1998), its importance might gradually reduce with increasing globalization and development of new/digital economy. According to Sethi et al. (2002 p. 701),“institutional and strategic factors into theory ... need to be considered in tandem to explain the change in trend of FDI flows”. The inflow of FDI includes a raise in the production base, the introduction of new skills and technologies and the creation of employment. Foreign investors increase productivity in host countries and FDI is often a catalyst for domestic investment and technological progress. Increased competition associated with the entry of an MNE upgrades the competence and product quality in national companies, and opens up possibilities for export.

The state can stimulate the digitization of economic processes through the following actions:

- Acting as an organizer of common technological platforms uniting different organizations or as a regulator that determines the requirements for the use of certain technological solutions, without synchronizing the processes of implementation of standard technological solutions in all segments. the economy cannot spread them widely;
- Continuously improve the existing regulatory framework governing the development of the digital economy and implement it in a dialogue, taking into account the views of users, manufacturers and service providers who are faced with new types of objects and entities in practice. relationships that require legalization;
- Participation in the overall process of digitization of relations, including through the creation of the system of "e-government" and a list of public services provided in electronic form;
- Encouraging the introduction of information systems, electronic services and tax incentives for the development of digital technologies in organizations, as well as the promotion and encouragement of cross-border online trade;
- Training of IT specialists and programmers, as well as users capable of using constantly updated digital technologies;
- expansion of international cooperation and creation of favorable conditions for the involvement and attraction of advanced information technologies in all spheres of economic activity.

Experts note that Uzbekistan's course towards digitalization of socio-economic relations will also play a significant role in the development of the digital



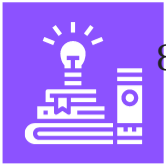
economy in Central Asia. It is associated with the interest of the region in the formation of an innovative economy at the expense of implementation of digital technologies in the economic sector, allowing to improve investment climate, attract foreign investment and increase national GDP.

In general, the accelerated transition of the economy to digital development as one of the main priorities countries, will have a significant impact on the increase in the volume of exports of goods via the Internet, receiving dividends, creating jobs and attracting foreign investment.

In conclusion, the increase in foreign investment is one of the main factors driving the country's economic development. Along with foreign investment, the country receives advanced ideas, new technologies and modern management principles. This shows that foreign investment is an effective tool for influencing the development of the digital economy in the country. Therefore, increasing the volume of foreign investment in the country's economy is one of the most important issues today.

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