

IMPACT OF GLOBALISATION ON ECONOMIC GROWTH AND INVESTMENT ATTRACTIVENESS OF REGIONS

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Abstract: *The article focuses on the impact of globalisation strategies on classification of national and regional resources defining socio-economic capacity of territories and discloses its essential elements. It provides analysis of existing conditions for maximizing usage of regional economic capacity, i.e. use of investment flow methods for production process, hiring labour resources, and their effective direction in expanded reproduction of the economy.*

Аннотация: *В статье основное внимание уделяется влиянию стратегий глобализации на классификацию национальных и региональных ресурсов, определяющих социально-экономический потенциал территорий, и раскрывается ее основные элементы. Он обеспечивает анализ существующих условий для максимального использования регионального экономического потенциала, то есть использования методов инвестиционного потока для производственного процесса, найма трудовых ресурсов и их эффективного направления в расширенном воспроизводстве экономики.*

Аннотация: *Мақолада глобаллашув стратегияларининг ҳудудлар ижтимоий-иқтисодий салоҳиятини белгилайдиган миллий ва минтақавий ресурсларнинг таснифига таъсири ва унинг асосий элементлари баён этилган. Минтақавий иқтисодий салоҳиятни максимал даражада ишлатиш, яъни ишлаб чиқариш жараёнида инвестициялар оқимининг усуларидан фойдаланиш, меҳнат ресурсларини ишга тушириш ва иқтисодиётни кенгайтирилишини такомиллаштиришида уларнинг самарали йўналиши учун мавжуд шарт-шароитларни таҳлил қилади.*

Key Words: *Globalization process, economic growth and investment attractiveness, socio-economic capacity of regions*

Introduction

Over the last three decades, accelerating globalization process has resulted in complete distortion of conventional classic development strategies. While countries with small population complaint on increased volatility of their production industries and loosing economic self-sufficiency, countries with larger population are stuck in dilemmas of rising economic growth and uneven distribution of national incomes.

Recent studies on economic growth from prospective of globalization and increasing competition reveal new factors which can improve socio-economic

conditions of countries. In provision of economic development of the country, special importance has to be given to such factors as the role of regions and complex measures implemented in localities, conditions created for development of entrepreneurship and institutional systems are essential for competitiveness. The annual increase in the GRP contributes to increase of wages, employment, profits of firms and provides the increase in budget revenues. Income growth in turn leads to increase in demand for goods and services. In their research, the economists methods econometric analyses, the direct dependence of economic development from the wealth created in the regions.

Exceeding of the figures of national income above the level of population growth contributes to the growth of income per capita. On the one hand, the conditions created for the development of small business and private entrepreneurship, running economic policy based on the principle of fairness, as well as timely and correct application of the regional investment serves for the growth in new jobs and ensuring socio-economic development.

So, the ultimate goal of economic policy of the state through provision of socio-economic development of regions is in economic development of the country and improving the welfare of its population. Due to the fact that regional economic resources are limited, the most efficient method of increasing production is to raise additional capital resources based on resource-saving and high-tech solutions. Therefore, in conditions of globalization process, the problem of conducting a deep analysis of causal dependencies for the improvement of the regional investment climate and further increase its attractiveness is an urgent issue.

Literature review

Among scholars focused their research on economic capacity of the country, its nature and specifics of their implementation, it is possible to point emphasize on A. I. Abalkina, V. D. Anchishkin, V. D. Andrianov, A. A. Erunova, etc.. Additionally, scientists V. D. Avdenko, G. A. Bayanduryan, V. Bogomolov, V. I. Shevchenko, V. M. Yakovlev and others provided the conception of economic capacity as a distinct scientific-methodical and theoretical-practical ways of their effective use.

Among the scientists conducted studies to assess the economic potential of the country and calculation of the efficiency of regional economic resources use can be highlighted A. G. Aganbegyan, E. G. Anemic, A. G. Granberg, E. A. Isaev, V. P. Nesterov, E. S., Hoverman and others.

Scientists V. S., Bilchik, D. J. Darmilov, D. A. Barmin, Tn. Berkaliyev, Blekha Y., W. Goetz, L. Kruszwicka, F. J. Fabozzi, and others described their current views on the assessment of the economic capacity of territories based on existing resources in the region, as well as the impact of globalization, economic-institutional and analytical environment while employing regional economic capacity.

As it is known, in economic textbooks the concept of "economic potential" is not given as a fundamental category and not considered as a factor of the development of the economy and provision of balanced economy.

The term "potential" was first time used in the last century for comprehensive assessment of production capacity. The concept of "potential production capacity"

was used by V. I. Weitz and K. G. Vobliem as the ability of the country's production of wealth to meet the needs of the population.

Among Russian scientists the concept of "economic capacity" was first used by S. G. Strumilin to refer to the work created by an aggregate production capacity and by all working population of the society.

In scientific research dedicated to the explanation of the category "economic capacity" general provisions are explained in the following way:

- it is used relatively to the national economy, society, territories, regions, industries and enterprises;

- treated as possibilities of existing economic resources for the production of consumer goods;

- stressing on the relationship between quantitative and qualitative properties of economic resources and economic systems, as well as their ability to meet the social, collective and personal needs, that is, "... the inventory sources for the implementation of specific goals and which may be brought in case of need" (Shukov, 2002), the relationship between the external and internal climate to realize the potential of these resources.

In our view, as an economic category, the term "economic capacity" reflects the status and opportunities of the economic system. The importance is not only in accounting of the production of goods and services, but also in paying attention to their quality, competitiveness of enterprises and the effective operation of the economic system in the future. According to V. N. Shukov "economic capacity" acts as a measure of economic relations, and considered as an indicator for assessment of the state of the national economy, regions, industries and enterprises (Shukov, 2002).

Over the last decade based on the conditions and situation of territorial development scientists carried out a study on "the spatial potential of territories." According to V. P. Efimov "... if development of territories will be based on the allocation of resources at the spatial and inter-sectoral integration will result in both economic and social efficiency (Efimov, 2006).

However, the researcher offers modern methods of provision for territorial development such as the cluster method, stimulating the economy through economic diversification; strengthening intra-regional links and development of the internal market through introduction of new transport infrastructures, appropriate distribution of social labor through effective use of internal capacities and local resources; methods of support of investment projects through the effective use of investment instruments.

Another great scholar, A.A.Zinovieva brings objective and subjective factors of the polar development of territories. The first group of factors is: natural geographic variation, availability of economic resources, technological capabilities of regions and production specialization, economic autonomy of the territory. In the second group of factors included such factors as: institutional, infrastructural and organizational-functional determinants; customs and traditions of the region; the existing major corporate system.

As can be seen from Fig.1 the regional market infrastructures are actively participating in phases of reproduction and create the circular rotation mechanism of

economic relations between them. As a result it reveals that: production infrastructure in the production phase; ecological infrastructure in all phases; entrepreneurial infrastructure in the phase of distribution and exchange; social infrastructure in consumption phase.

In this regard, realization of economic reproduction requires maximum use of economic capacity of the region. Which includes analysis of the current state of investment flows and their methods for the effective direction, for involvement of existing manufacturing and human resources. As it has been aforementioned above, the economic development of each region depends on their capital and potential labour resources and the extent of their use.

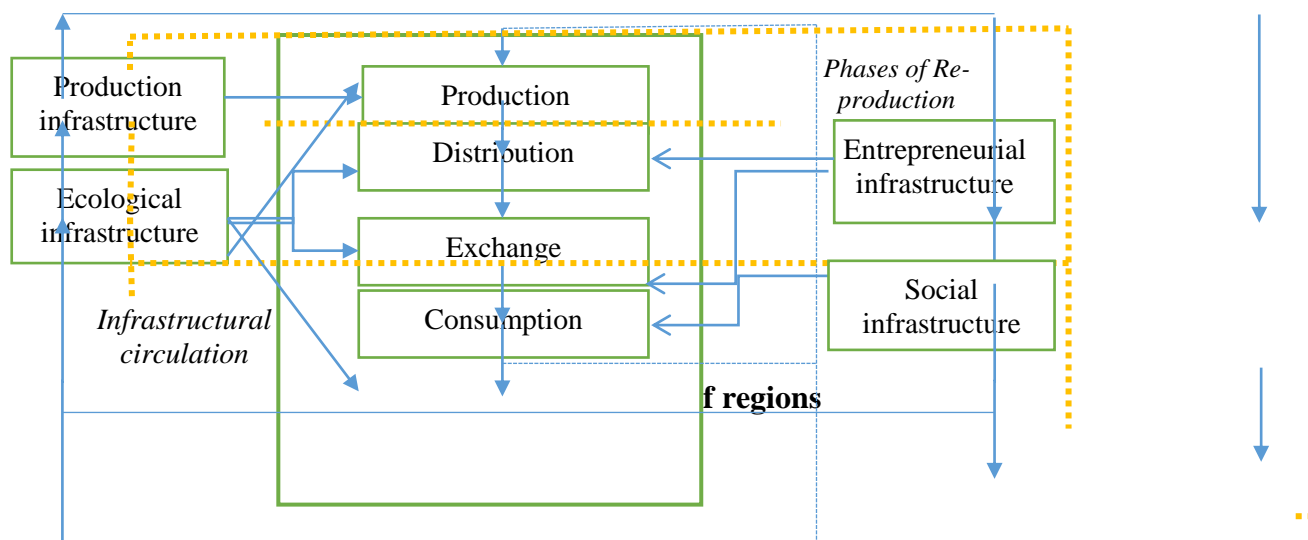


Figure1:Socio-economic system of regions

Research methodology

Under the conventional view, the economic capacity of the region and its capabilities are determined by the production of essential goods through the effective use of available resources.(Ackerman 2010)

It should be noted that, under the term “economic capacity of the region” usually meant all existing elements of the system. That is, productive assets, labor resources, while the capacity leads to economic (market) opportunities of an administrative-economic region. However, according to neoclassical theory, the region is treated as a part serving for provision of stationary balance, while the development of economic capacity provides production resources (land, labor, capital, entrepreneurial skills). (Shlychkov 2007)

It should be noted that the conduct of policy in administrative and economic management of regions, the economic development is viewed as an outcome, therefore future capacity of the region is determined by the efficiency of its use.

Given the presence of internal competencies, the government produces socio-economic and investment programs aimed at ensuring integrated development of territories and provision of the welfare of local inhabitants. In our view, it is endogenous factors that are important in ensuring economic development of regions, but one should not forget about economic location which should also be taken into account.

The article defines a complex method for determination of investment attractiveness across regions or industries. For assessment of indicators for territorial and sectoral investment attractiveness of the region (incomes generated from investment funds directed to business objects) were used methods taking into account risk of investments.

The main body

Today, the government provides a package of institutional reforms aimed at the development of small and medium entrepreneurship in region and raising it to a new level. Only in 2016 in order to support small business, there were accepted regulatory legal acts on implementation of facilities and benefits to opening and running a business (Narodnoe Slovo, 2016). As a result, in comparison with 2015, GDP grew by 7.8%, industry by 7.2%, agriculture by 6.4%, retail trade by 14.2% (according to the results of 9 months of 2016). Due to active investment policy aimed at structural transformation, modernization and deepening of diversification processes, it was managed to increase the development of investments by 9.4% and construction works by 15% (Khalk Suzi, 2016).

While calculating GDP by the expenditures method, investments are considered as a primary variable and its changes have a direct and positive correlation with GDP. This can be interpreted as investments in equity and at the same time we should not forget that investments relate to intangible assets, intellectual property, including financial instrument (Gazibekov 2002).

Such high rates of savings and investment are insufficient to ensure economic development. To ensure economic development it is necessary to solve broad problems such as: accounting trends in the movement of foreign direct investment, develop investment in human capital, as well as scope of knowledge associated with advanced technology and equipment, and effective use of advanced achievements of science and technology.

According to the data published on socio-economic development Uzbekistan for 2015, total amount of attracted investments amounted to 15.8 billion U.S. dollars, from which 3.3 billion USD, or 21% was foreign investment, and 73% of which were direct investments, 67,1% of investments were aimed at creating new production capacities. That allowed in 2015 to complete construction and to put into operation 158 large industrial facilities for a total amount of 7.4 billion dollars (Karimov, 2016).

As can be seen from figure (Fig.1) which reflects socio-economic region, investments are particularly important in establishing the expanded reproduction in the economy, increasing competitiveness of enterprises and firms in the context of globalization, and ensuring delivery of sufficient goods and services to consumers.

If domestic savings will exceed volume of investments, we can expect that in this country exports will be higher than imports. Otherwise, your export will be less than imports. The country consuming much of its capacities, will try to increase its exports at the expense of attracting from outside, foreign investment. In this case, the investments will look like a credit to economy (Gazibekov, 2002).

Analysis of factors affecting investment activity, investment capacity and investment attractiveness.

One of the important challenges in the regulation of investment activity is optimally balanced allotment of enterprises with foreign capital across regions. Important conditions for proving investment attractiveness are such factors as: natural conditions of regions, already established business environment, socio-economic and administrative-managerial principles, the willingness of the population to run business entities, the perception of risk and qualification of labor resources, the existence of different institutional systems and their development.

While tackling tasks on creating a positive investment climate, we should mind that the globalization of the economy has to be considered as the main factor for the expansion of opportunities for investment resources, as well as competition between investors. If we want to increase the volume of foreign investments to the optimal level of the investment industry and maintaining comparable conditions to other competitors, as well as providing of a “comfortable” environment and discarding of excess risks for activation of domestic investment. Otherwise, there will be a sharp reduction in the volume of incoming investment and giving investment resources of local investors.

Following factors can be included in the framework of the regional investment climate:

Investment capacity (potential) - openness to the flow of investment and availability of economic resources in the region;

Investment risk - the probability of obtaining gains or losses that depend on created conditions for investors. Investment risk has contradicting effect on investment attractiveness.

The degree of efficiency and global competitiveness of regions can be appraised through factors of **investment capacity**, **investment risk** and **investment activeness**, which can be analysed by division into following groups (see Table 1.)

Table 1: Socio-economic capacity of regions and set of factors influencing to them

| № | Group | Set of indicators |
|---|-----------------------------|--|
| I. Factors influencing level of investment capacity of regions | | |
| 1. | Natural-geographic capacity | - raw-material resources: mineral resources; land and water; fuel-energy; various types of ores and metals. |
| 2. | Labour capacity | - demographic capacity of regions: population density; labour force; number of labour forces and its quality; average monthly salary paid for labour; number of unemployed; age of employed and unemployed; skills and qualifications of unemployed. |
| 3. | Production capacity | - Production capacity: gross regional product (GRP); state of fixed assets; productivity of factors of production; specialization of the region on sectors and branches; volume of imports and exports |
| 4. | Innovative capacity | - scientific-technical capacity of the region: scientific technical achievements; those who have scientific degree; volume of scientific-technical projects; those engaged in research; research and development centres and their branches in the regions |
| 5. | Institutional capacity | - national and local legislation: consumer rights; principles of corporate governance; healthy competitive environment; condition for doing business and provision of information; accounting and |

| | |
|----------------------------|--|
| | statistical reports; financial markets and development of institutions. |
| 6. Infrastructure capacity | - Infrastructure provision: the state of available water and electric energy in the region; availability of airport, automobile roads and railways; development of information-communication technologies |
| 7. Financial capacity | - A main criterion's of financial potential: loans given by commercial banks for business activities; amount of money deposited in banks by population both in national and foreign currency; amount of deposits of legal entities in banks(both in national and foreign currency) |
| 8. Consumption capacity | - Demand of the population of the region for consumption: salary; all other types of income (rent, dividend, interest, profit, pension, subsidy and etc.) |
| 9. Touristic capacity | - Touristic destinations: historical places, artefacts, eco and agro-system, development of socio-economic objects for service provision |

II. Factor assessing level of investment risks

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|--------------------|---|
| 1. Legal risks | - Main directions of evaluation of legal risks in the regions: legal conditions in financing the sectors and branches included in investment program; state of development of legal base; protection of investments and legal basis of preferences created for investors and its scale; special activities directed to exploitation of production resources |
| 2. Political risks | - Points that are considered in evaluation of political risks: attitudes of people towards the activities of political parties and political processes; participation of people in elections for parliament and presidency; reputation of local government; activities of the legislative and executive branches of the state; democratic activities carried out by different groups and political parties; activities of different religious, national and ethnic groups; state of international relations; activities carried out for preservation of government. |
| 3. Social risks | - Indicators that are representing social life and social risks: living/life style of the population; condition of social infrastructure; demographic condition – number and age of population, number of families and their structure, migration and stratification, ratio between strata's of very rich and poor population; income level and its sources; purchasing power; structure and level of expenditures and needs; residential buildings; transport and communication; education and culture, unemployment and employee turnover; |
| 4. Economic risks | - Factors effecting to economic pre-conditions created for the inflow of the investments: changes in local and international markets and scale of the market; production of goods and services and volume of their sale, level of prices (market demand); share of the regions in the total exports and imports of the republic; economic policy of the state and efforts directed to ensure the economic development of the regions; |
| 5. Ecologic risks | - Main directions needed in evaluation of investment climate: pollution of environment; radiationless environment; water, bio resources; condition of soil and land resources and technogen changes |
| 6. Criminal risks | - Main directions of evaluation of criminal condition in regions: level of crime committed in the region; crimes committed under |

someone's request; level of corruption.

III. Investment activeness

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| 1. Factors reflecting investment activeness | – Starting new capacities – Economic potential of the enterprise – Centralization of the capital – Implementation intensity of investment projects – Energy efficiency of products – Decreasing the implementation time between phases of investment projects |
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Source: Author's compilation

One should note that various types of investment requires various investment climates. The investor and the host country for investment never have the same goals. Country attracting investments will try to bring minimum amount of resources will try comprehensively implement socio-economic tasks, while investor to maximize revenue in the long-term. Therefore, the investment market is the processes associated with the action of the laws of supply and demand (of the solidarity of interests) and provision of balance of interests.

Based on the above factors, in the long-term investment climate has to be stable, and at the same time, the investment climate has to be flexible to changes in the demand for resources involved in the phase of re-production.

At modern socio economic conditions, investment flow depends on investment climate and demand for investment mechanism by promoting the development of innovation sphere and innovative entrepreneurship.

Conclusion

In the long term prospective, supporting of socio-economic development for regions traditionally based on the agricultural sector it is advisable to pay attention to the following areas:

- Increasing volumes of industrial production, strengthening of structural transformation and increasing the share of industrial production in GDP;
- In order to intensify the processing production to develop cooperation between the agricultural sector and industry;
- Allotment of production facilities based on the types of locally available natural resources and their volumes;
- based on the capabilities and capacity of regions to ensure high level of specialization, enhance and ensure the dissemination of this experience to other regions of Uzbekistan;
- stabilization of the condition of labor market, especially in rural areas, in order to eliminate distortions on the labor market, creation of highly labor-intensive production systems;
- in order to ensure efficient use of production resources in rural areas to provide development of production and market infrastructure;
- acceleration of technical and technological re-equipment and modernization of local production and agriculture;
- development of various spheres of production and services in order to prevent reduction in national figures of gross regional product.

Based on the weights of the exposure groups of investment risks, according to the Table 1, it is appropriate to use the method of peer assessment for determination of investment attractiveness of territories in the region. While calculating investment risks by industry it is appropriate to exclude political, social, infrastructural, legislative and criminal factors. Because the influence of these factors on the estimated factor is not essential. Additionally, the consideration of the same factors in sectoral and territorial scale considered to be ineffective.

Problems and tasks for future researchers.

The analyses provided in this article are based on a limited number of materials. There has not been created econometric model for identification of the regression relationship between investment attractiveness and other influencing factors. Therefore, there has not been provided a forecast of the condition of investment attractiveness among Uzbekistan's regions, that is changes in it.

Also one of the important directions left for further research are calculation and deep analysis of the profitability on industry investment. That requires long-term statistics on investment in fixed capital and GDP generated by sectors and regions. In addition, along with the definition of investment attractiveness, one of the demanding issues is the implementation of theoretical-methodological studies on the distinction between economic terms such as investment environment, investment climate and investment condition.

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