

**INNOVATION AND INVESTMENT POTENTIAL AS A
FACTOR OF SUSTAINABLE ECONOMIC GROWTH****Haknazarova Yulduz**Samarkand Institute of Economics and Service
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Abstract: *In this article, we examine the nature and significance of innovation and investment potential as a key factor in sustainable economic growth. Particular attention is paid to the relationship between innovation activity and the investment attractiveness of the economy. We analyzed the main areas of development and effective use of innovation and investment potential in the context of modernization and digitalization of the economic system. Based on an analysis of the current state of innovation and investment, we propose recommendations for improving government regulation mechanisms and stimulating innovation processes.*

Keywords: *innovation, investment, innovation and investment potential, sustainable economic growth, competitiveness, digitalization, government regulation, modernization, innovation activity, economic development.*

Introduction. The current development of the global economy demonstrates that sustainable economic growth is largely determined by the level of innovation activity and the effectiveness of government investment policies. In a competitive global environment, innovation and investment potential are becoming the key factor driving increased labor productivity, growth in added value, and economic diversification. This aspect is of strategic importance for the Republic of Uzbekistan, as the transition to an innovative development model is one of the key objectives enshrined in the country's strategic documents, including the "Development Strategy of the New Uzbekistan for 2022–2026."

In recent years, Uzbekistan has implemented large-scale reforms aimed at stimulating investment activity and creating a favorable innovation environment. The government is paying particular attention to developing research infrastructure,

implementing digital technologies, and stimulating private investment in innovative projects. According to the Ministry of Investment, total fixed capital investment in 2024 exceeded 310 trillion soums, a significant portion of which was directed toward high-tech industries, including energy, mechanical engineering, and ICT. However, despite the positive dynamics, Uzbekistan's innovation and investment potential is not being fully realized. Problems persist related to the insufficient commercialization of scientific research, weak coordination between research centers and industry, and limited access to investment resources for small and medium-sized businesses. Therefore, research into the relationship between innovation and investment activity as a systemic mechanism for sustainable economic growth is particularly relevant.

Main part. Innovation and investment potential is the combination of resources, conditions, and mechanisms that support the implementation of innovations and their subsequent commercial use in the economy. It includes financial, scientific and technical, human resources, institutional, and organizational components, which together determine the national economy's capacity for renewal and technological development. From an economic theory perspective, the relationship between innovation and investment is expressed in the fact that investment creates the material basis for innovation, while innovation, in turn, increases the effectiveness of investment. Thus, innovation and investment potential is a key component of economic growth, ensuring its high-quality, sustainable, and structurally balanced nature.

Global experience shows that countries that have achieved high rates of development (e.g., South Korea, Singapore, Germany) have placed a strong emphasis on the active development of an innovation and investment ecosystem—a combination of government support, effective private investment, and human capital development.

In recent years, Uzbekistan has seen active progress toward an innovation-driven economy. The adoption of programs such as the "Development Strategy of the New Uzbekistan for 2022–2026," the State Program for Innovative Development, and the Law "On Innovation Activity" have created the institutional foundation for the development of an innovation infrastructure. According to the Ministry of Investment, foreign direct investment in Uzbekistan's economy in 2024 amounted to approximately \$11 billion, an 18% increase compared to the previous year. The most attractive sectors remain energy, transport infrastructure, agriculture, and the IT industry.

Technology parks, innovation clusters, and startup incubators established at leading universities in the country, such as Tashkent State Technical University, INHA University, and Tashkent University of Information Technology, make a significant contribution to the development of the innovation environment. These structures play an important role in connecting science, business, and investment, facilitating the commercialization of scientific research.

Furthermore, special economic zones (SEZs) are being created to attract investment in high-tech industries. Thus, the Yashnabad Free Economic Zone in Tashkent has become a center for the development of innovative industries, focusing on projects in pharmaceuticals, biotechnology, and electrical engineering.

To improve the efficiency of leveraging innovation and investment potential, a comprehensive approach is needed, including the following areas:

1. Developing a venture ecosystem—creating specialized funds and mechanisms to support risky investments in innovative startups.
2. *Improving tax and credit policies to stimulate private investment in R&D and high-tech industries.*
3. *Expanding state support for innovative projects, including through grants, subsidies, and government procurement.*

4. *Developing human capital by improving the training of specialists in innovation management, engineering, and digital technologies.*

5. *Strengthening international cooperation in innovation and investment, attracting foreign experts and investors to share experiences and technologies.*

The implementation of these measures will create an effective innovation and investment system in Uzbekistan capable of ensuring sustainable economic growth, diversifying production, and increasing the country's competitiveness in the global market.

Uzbekistan's economic growth continues to gain momentum, as confirmed by data from leading international organizations. Investment, export development, industrial modernization, and effective reforms are ensuring sustainable GDP growth. In the coming years, the country will continue to strengthen its economic position by implementing innovative growth models and expanding international cooperation.

Investment in Uzbekistan's economy continues to grow, with private and foreign investment playing a leading role. Total investment is expected to reach \$38 billion in 2026, up 26% from 2025 (Table 1).

Table 1

Investments in the Economy

Indicator	2024	1st half of 2025	Forecast for 2026
Total Investment (\$ billion)	30,0	18,5	38,0
Investment Growth (%)	21,0%	-	22,5%
Foreign Direct Investment (\$ billion)	14,2	7,8	17,5
Private Sector Share of Investment (%)	64,0%	65,5%	67,0%
Government Investment (\$ billion)	10,8	5,3	12,0

Analyzing this table, we see that the growth of foreign direct investment makes our country more attractive to foreign investors. This clearly demonstrates that the private sector plays an increasingly important role in the economy and economic growth. In our forecasts, we can guarantee increased public investment by supporting infrastructure projects.

Conclusion and suggestions. The analysis showed that innovation and investment potential is a key factor in ensuring sustainable economic growth in Uzbekistan. In recent years, the country has seen positive trends in attracting investment, modernizing production, and digitalizing the economy. The government is taking systematic steps to create an innovation infrastructure, develop technology parks and venture funds, and encourage the private sector to participate in innovation processes.

However, the level of realization of innovation and investment potential remains insufficient to achieve the strategic goals outlined in the "Development Strategy of the New Uzbekistan – 2026." Despite the growth in investment volumes (over 490 trillion soums in 2024), their structure remains predominantly capital-intensive, with limited participation in high-tech and innovative sectors. Furthermore, the low level of commercialization of scientific research, limited sources of venture financing, and insufficient integration of science and industry hinder the development of a fully-fledged innovation ecosystem.

Based on this, the following proposals can be formulated to improve Uzbekistan's innovation and investment policy:

-  intensifying venture capital investment – creating public and private venture funds to finance start-ups and small innovative enterprises.

-  improving the institutional environment – simplifying administrative procedures, increasing transparency and predictability of conditions for investors, and introducing "one-stop-shop" mechanisms for innovative projects.

✚ financial support for innovation – expanding the volume of budget grants and subsidies for scientific research and the implementation of innovative technologies in priority sectors. human capital development – improving the quality of training for engineering, technical, and management personnel, and developing a dual education system focused on innovative competencies.

✚ regional development of innovation activity – creating innovation and investment centers in the regions, particularly in industrial zones and agricultural areas, to reduce territorial disparities.

Implementation of the proposed measures will improve the efficiency of investment resources, stimulate innovation, and ensure sustainable economic growth. In the long term, the development of a strong innovation and investment potential will form the basis for Uzbekistan's transition to a knowledge economy and sustainable development capable of withstanding external challenges and maintaining competitiveness in the global market.

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