

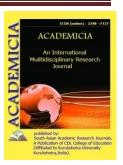
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# INVESTMENT PERSPECTIVES OF LIGHT INDUSTRY OF UZBEKISTAN

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#### **ABSTRACT**

This paper describes the role of light industry in production and investment perspectives of this field. The Investment strategy of Light Industry going to be described and discussed in following sections. Has been introduced and explained significance of the problem, evaluated implication of Strategies for Light Industry, and given explanation of strategy of Light Industry which provided success, also was been made recommendation and drawn conclusion. At the heart of the sustainable development of every modern state is innovation. History visibly demonstrates how curious human mind was able to walk from the first ancient instruments of labor to the world of algorithms and nano particles, create a modern innovative computing, fantastic microelectronic, biological, and genetic engineering, solar and other high technologies. Important achievements have evolved on the basis of the development of science, teaching and what is central - the establishment of the state of circumstances for the formation, development and deepening of these processes.

**KEYWORDS:** *Investment, Investment strategy, Light Industry.* 

#### INTRODUCTION

One of the main features of the national strategy for economic development is it's gradual movement forward. The main link in this strategy is to attract domestic and foreign investment in the real sector of the economy. This, in turn, entails innovation, modern equipment, IT technologies, international quality standards, etc.

There are more than 260 textile and garment and knitwear enterprises operating in Uzbekistan today, of which 50 with 100% foreign capital. The bulk of foreign investment from Turkey,



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Korea, China, Singapore, Switzerland, Germany, the UK, and Russia has been used. Textile and garment-knitting enterprises account for 4.6% of the country's GDP(Annual report, Uzbekyengilsanoat).

The leadership of the republic pays great attention to improving the regulatory framework for creating the most favorable investment climate. So, to develop textile industry was adopted the Decree of President of the Republic of Uzbekistan "On measures to accelerate the development of the textile and garment and knitwear industry". This decree approved the Investment Strategy and Climate Improvement Program for 2019-2021 for Light industry in Uzbekistan.

One of the stimulating factors for attracting domestic and foreign investors is the effective banking system in the country, which actively supports the real sector of the economy with loans. Currently, a significant number of investments of commercial banks provide long-term investment loans for a period of over three years.

#### **Investment Strategy for in Light Industry and Strategy to provide success**

The light industry of Uzbekistan has centuries-old traditions of processing local raw materials: cotton fiber, silk, wool, leather, kaolin. In recent years, this industry has been dynamically developing in the republic thanks to the implementation of measures for the in-depth processing of local raw materials, modernization of production, and the production of import-oriented products.

In addition, it is planned to create a base of innovative and design developments.

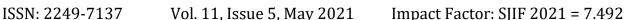
As a result of the implementation of the Strategy, Uzbekistan intends to change the structure of textile production and increase exports to \$7 billion US dollars by 2025. Thereby, having begun a new stage of transformation of the republic into a leading producer of textiles.

As part of the development of international cooperation, it is planned to establish regional representative offices of the Uzbekyengilsanoat Association covering the regions of the CIS countries (Russia, Belarus, the Republic of the Transcaucasus), the EU and South-East Asia.

In additionally, there is taken economic action in to implementation such as like new Tax Concept to reduce the tax burden on the textile industry and has attracted foreign investment flow over \$3.2 billion US dollars. Uzbekyengilsanoat Association representative reported that they are almost halving the tax burden on labor, before it exceeded 40% and government had a very heavy tax on turnover, as well as pension, road, school funds – as it all goes away.

Uzbekyengilsanoat Association cleared issues in the field of textile industry, existing problems in the activities of enterprises in the industry, and also considered proposals for the development of the textile industry in Uzbekistan.

The specific weight of the industry in the volume of the republic's industry reached 14 percent by the end of the year. In the next few years, Uzbekistan's light industry plans to significantly increase production and export of products. These goals can be achieved through the developed strategic development program. The textile industry occupies a significant place in the light industry. Over the past year, its enterprises exported goods for more than 2.2 billion of dollars annually. In addition, high growth rates - 129 percent and 120.5 percent respectively - were achieved by the enterprises of the garment, leather and footwear industries.



Products of domestic textile enterprises (fabrics, cotton yarn, knitwear) are known outside the republic. In the last three years alone, the number of items of exported goods has increased from 21 to 27 items, and more than 250 participants in foreign economic activity. At present, The Strategy was developed by the Cabinet of Ministers of the Republic of Uzbekistan, the Ministry of Economy of the Republic of Uzbekistan, the International Textile Manufacturers Federation (Switzerland), KOFOTI (Korea), KITECH (Korea), KOTRA (Korea), the Ministry of Textiles (India), CITI (India), IFC (IFC ), Gerzi (Switzerland), Rieter (Switzerland), Indorama Corp. (Singapore), Jinsheng Group (PRC).

JSC "Uzbekyengilsanoat" together with the Ministry of Economy, Ministry of Foreign Economic Relations, investment and trade have developed a concept for the development of light industry for 2019-2021, in which it is planned to significantly expand the range and export of manufactured products. Over the past years Uzbekyengilsanoat joint-stock company have produced 31 trillion soms worth of industrial products and more than 13 trillion soms worth of consumer goods were exported to Russia, a significant part - to Turkey, EU countries, China, South Korea, Ukraine. In recent years, the markets of such countries as Austria, Hungary, Canada, Saudi Arabia, Finland, Switzerland, countries of the African continent and Latin America have been mastered. Results of last year show that high value-added products accounted for 32.2 per cent of the overall export volume, and this indicator is steadily growing.

The main objectives of the development strategy of the textile industry are to increase of technical and technological level; ensuring production efficiency; competitiveness and high technology products; export growth; active investment and innovation activities; deepening sectoral cooperation; and formation of market infrastructure.

#### **RESULTS AND DISCUSSION**

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As a result of the implementation of the new strategy, the production of consumer goods will significantly increase, the volumes and geography of exports will expand. According to the forecasts of specialists of the Uzbekyengilsanoat Joint Stock Company, by 2020 the volume of industrial production in the industry for long term will exceed 35 trillion soums (3.5 times), cotton fabrics - from 1 425.9 million square meters (3.1 times), knitted fabric - from 1 516.9 million units (3.6 times), hosiery –429.0 million pairs (4.4 times), and forecast for exports - US\$7.0 billion (4.3 times), (Report, UZA).

The program for the development of light industry for the period 2019 -2021 provides for an annual growth rate of production by 20%, an increase in exports of products by 10%, bringing the level of satisfaction of the needs of the domestic market to 60%.

The light industry of Uzbekistan is one of the leaders in terms of the number of attracted foreign investors. The factors of the industry's attractiveness for foreign investors are:

- The presence in the country of a large number of local raw materials, capable of expanding reproduction several times;
- The ability to attract the required amount of labor resources;
- Support of the industry by the government of the republic;
- A wide range of benefits and incentives for foreign investors in the field of taxation;



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- Low (in comparison with world prices) cost of energy resources;
- Availability of a technically well-equipped communications network.

Thus, a feature of the light industry is that most of the enterprises open in the regions, thereby creating hundreds of jobs there for young people and women. Equipped with modern equipment, they process cotton into finished products with high added value. Before the proclamation of independence, the republic processed only 7 percent of the total production of cotton - fiber, according to the forecasts of the experts of the Association, by 2021 it should reach 70 percent.

Full implementation of this strategy should improve the structure of industrial production, increase the share of processing industries from 41 percent in 2010 to 49 percent in 2015, and industry itself in GDP - from 24 to 28 percent.

In the textile industry, in accordance with this Resolution, way more new investment projects are envisaged and presently, a total of sum exceeds \$3.2 billion of US dollars.

#### **CONCLUSION**

In general, we note that Uzbekistan has great opportunities for the further development of light (including textile) industry. Attraction of domestic and foreign investments and implementation of projects aimed at creating modern high-tech industries for the production of products with high added value remains an important point.

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