

FACTORS FOR ASSESSING INVESTMENT EFFICIENCY IN INDUSTRIAL ENTERPRISES OF UZBEKISTAN

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Abstract

This thesis examines the key factors determining investment efficiency in the industrial enterprises of Uzbekistan. It identifies the main quantitative and qualitative criteria used to evaluate investment performance, analyzes the current dynamics of fixed capital investment and industrial output growth, and proposes a systematized framework of efficiency-determining factors. The findings are intended to support enterprise-level decision-making in project selection, resource allocation, and investment planning within the industrial sector.

Keywords

investment efficiency, industrial enterprises, Uzbekistan, fixed capital investment, technological modernization, investment climate.

Introduction. Industrial enterprises play a central role in the structural transformation of Uzbekistan's economy. According to the Statistics Agency under the President of the Republic of Uzbekistan, industrial production continued to expand steadily in 2025, with manufacturing accounting for the largest share of total industrial output, led by metallurgy, textiles, and machinery production. At the same time, foreign investment inflows exceeded USD 43 billion in 2025, with more than 17,000 enterprises with foreign capital currently operating in the country, and investor interest concentrated in energy, industry, infrastructure, and logistics (Invest Uzbekistan, 2025). Despite this growth, the efficiency with which invested capital translates into sustainable productivity gains varies significantly across enterprises and sectors. This raises the need

for a systematic assessment of the factors that determine investment efficiency at the enterprise level, which is the focus of the present thesis.

Main part. Investment efficiency in industrial enterprises can be assessed through a combination of financial, technical, and institutional factors. Financial factors remain the most widely used basis for evaluation and typically include indicators such as net present value (NPV), internal rate of return (IRR), payback period, and return on invested capital (ROIC). These indicators allow enterprises to compare alternative investment projects and select those offering the highest expected return relative to risk. In the context of Uzbekistan, financial assessment is complicated by currency volatility, relatively high domestic lending rates, and limited access to long-term financing for private industrial enterprises, which increases the cost of capital and affects the calculated efficiency of investment projects.

Technological modernization constitutes a second determining factor. A substantial share of Uzbekistan's industrial capacity continues to rely on outdated equipment, particularly in energy-intensive sectors such as building materials, food processing, and textiles. As documented by the World Bank's Energy Efficiency Facility projects implemented in Uzbekistan, investments directed toward modernizing production equipment and improving energy efficiency have been shown to reduce operating costs, improve productivity, and generate more stable cash flows, thereby directly enhancing investment efficiency. Enterprises that channel investment into technological upgrading rather than mere capacity expansion tend to demonstrate stronger long-term efficiency outcomes.

Institutional and regulatory factors also play a decisive role. The Government of Uzbekistan has established more than 750 Small Industrial Zones and 24 Free Economic Zones across the country, offering tax incentives and simplified administrative procedures to attract investment. The National Investment Program for 2023-2025

further channels public and private capital toward infrastructure development and industrialization projects. These institutional mechanisms lower entry barriers and reduce transaction costs, thereby improving the conditions under which investment efficiency can be realized. However, the continued presence of state-owned enterprises with preferential access to resources, financing, and infrastructure in certain sectors creates uneven competitive conditions that can distort efficiency comparisons between state and private industrial enterprises.

Market and macroeconomic conditions, including inflation dynamics, exchange rate stability, and demand conditions in both domestic and export markets, form the final category of factors considered in this analysis. With inflation slowing to 7.3% in 2025 - one of the lowest levels recorded in nearly a decade - and export volumes rising by 24% year-on-year, the broader macroeconomic environment has become increasingly supportive of investment planning and efficiency assessment, reducing the uncertainty that previously complicated long-term capital budgeting decisions for industrial enterprises.

Conclusion. The assessment of investment efficiency in Uzbekistan's industrial enterprises requires a multidimensional approach that integrates financial performance indicators with technological, institutional, human capital, and macroeconomic factors. Based on the analysis presented above, the following recommendations are proposed: strengthening enterprise-level capacity for financial project appraisal, including wider application of NPV and IRR-based evaluation methods, prioritizing investment in technological modernization over simple capacity expansion, maintaining macroeconomic stability, including inflation control and exchange rate predictability, to support long-term investment planning. A systematic application of these factors in investment efficiency assessment can contribute to more productive capital allocation

and support the sustainable industrial development objectives set out in Uzbekistan's national investment and industrialization strategies.

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