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THE IMPACT OF A COUNTRY'S INVESTMENT POLICY ON ECONOMIC GROWTH DYNAMICS

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ABSTRACT
This article analyzes the impact of a country's investment policy on the dynamics of economic growth. The study examines the relationship between investment activity, foreign direct investment inflows, and key macroeconomic indicators such as GDP growth and export expansion. Based on the analysis of data for 2021–2025, the results show that effective investment policy contributes to increased capital investment, modernization of production, and the development of export-oriented sectors. The study concludes that a stable and well-designed investment policy plays an important role in ensuring sustainable economic growth and strengthening national economic competitiveness.
KEYWORDS: *Investment Policy, Economic Growth, Foreign Direct Investment, Investment Activity, Macroeconomic Development.*

INTRODUCTION

In the conditions of the modern global economy, investments are one of the main factors of economic growth. The acceleration of capital flows on an international scale, technological innovation processes and increased economic integration pose the task of countries to form an effective investment policy. The investment policy pursued by the state directly affects the dynamics of economic growth by attracting capital to the economy, expanding production capacities, developing innovative activities and modernizing infrastructure.

In economic theory, investments are interpreted as an important source of economic development. An increase in capital investments stimulates economic growth through the expansion of production volumes, the introduction of new technologies and an increase in labor productivity. Therefore, investment policy is an important tool for ensuring structural changes in the economy, increasing competitiveness and achieving sustainable economic development.

The relevance of this topic is that ensuring sustainable rates of economic growth largely depends on the effectiveness of the investment policy formulated in the country. The favorable investment climate, the stability of institutional conditions, and the incentive mechanisms used by the state determine the volume of investments and their economic efficiency. The scientific significance of the study is explained by the theoretical and practical analysis of the relationship between investment policy and economic growth. In practical terms, the results of this study are of great importance in improving investment policy and developing effective mechanisms aimed at stimulating economic growth. In this regard, studying the impact of a country's investment policy on the dynamics of economic growth and analyzing the theoretical and practical aspects of this process is an urgent scientific issue for modern economic research.

LITERATURE REVIEW

The relationship between investment policy and economic growth has long been one of the central issues in economic theory and applied research. Representatives of various economic schools have examined the role of investment in economic development, emphasizing the importance of capital accumulation, institutional frameworks, and government policies in shaping sustainable growth trajectories. In this context, investment policy is considered not only as a tool for mobilizing financial resources but also a strategic mechanism for directing capital toward priority sectors of the economy.

In modern economic literature, particular attention is paid to the role of capital mobility and investment policy in shaping economic development dynamics. The movement of capital within and across national borders significantly influences macroeconomic stability and growth potential. In this regard, Gondor and Nistor (2012)

emphasize that investment policy and international capital flows have become key areas of interest for policymakers and researchers in both developed and emerging economies. According to their findings, the increasing integration of financial markets has intensified competition among countries for attracting investment, thereby making the design of effective investment policies an essential element of national economic strategy. This perspective highlights the importance of investment climate and regulatory frameworks; however, the study primarily focuses on the macro-level implications of capital mobility and provides limited analysis of the specific institutional mechanisms through which investment policy affects long-term economic growth.

Further research highlights the stabilizing role of investment policy in macroeconomic management. Olanubi, Osode, and Adegboye (2019) as well as Lv, Li, Mi, and Zhao (2020) argue that the effective application of state investment policy instruments contributes to the stabilization of macroeconomic processes and supports sustainable economic development. Their studies demonstrate that well-designed investment policies can stimulate productive sectors, improve infrastructure development, and enhance overall economic performance. The strength of these studies lies in their empirical analysis of policy instruments and their macroeconomic outcomes. Nevertheless, a limitation of this line of research is that it tends to treat investment policy instruments in a relatively aggregated manner, leaving less attention to sectoral differences and the structural composition of investments, which may significantly influence growth outcomes.

Another important dimension in the literature concerns the role of policy certainty in attracting foreign direct investment (FDI). Hsieh, Boarelli, and Vu (2019) identify a strong causal relationship between the level of uncertainty in a country's investment policy and the volume of foreign direct investment inflows. Their research demonstrates that predictability and transparency in government policy significantly influence the investment decisions of transnational corporations. From this perspective, stable and consistent investment policies reduce perceived risks and encourage long-term capital inflows. The contribution of this study is particularly significant in highlighting the institutional and policy-related determinants of investment flows. However, the focus on multinational investment decisions may limit the broader understanding of how domestic investment dynamics interact with national investment policies in shaping economic growth.

A number of studies also analyze the role of public investment policy as a driver of economic growth. Makohon et al. (2020) examine the relationship between public investment, particularly investment in fixed assets, and GDP growth in transformation economies. Their findings show that increased investment in fixed capital during the period 2015-2019 contributed to accelerated economic growth in many transition economies. Importantly, the authors highlight the bidirectional relationship between investment and economic growth: higher investment stimulates economic expansion, while economic growth itself enhances the potential for future investment. At the same time, the authors note that the impact of investment on growth is uneven across countries. This variability is explained by structural factors such as excessive dependence on commodity sectors, underdeveloped financial markets, and unstable investment policies. A key strength of this research lies in its use of regression analysis to demonstrate that public investment can serve as an effective counter-cyclical instrument during economic downturns, helping to stimulate growth and ensure macroeconomic stability. Nevertheless, the study largely focuses on transformation economies, which may limit the generalizability of its findings to more diversified or developed economic systems.

The comparative role of public and private investment in economic growth is examined by Turan, Yanikkaya, and Ozer (2021). Using a large cross-country panel dataset and dynamic panel estimation techniques, the authors demonstrate that both public and private investments have a strong positive impact on GDP growth. Their analysis further shows that in developing countries both types of investment remain statistically significant determinants of economic expansion. One of the notable conclusions of the study challenges the conventional assumption that high institutional quality is a prerequisite for investment-driven growth. According to the authors, investment can stimulate economic growth even in countries with relatively weak institutional environments. This finding broadens the understanding of investment-growth dynamics and suggests that capital accumulation itself may serve as a catalyst for institutional and structural improvements. In addition, the study finds that public investment often has a higher leverage effect compared to private investment, generating a stronger multiplier impact on economic growth. While this conclusion provides valuable insights for economic policy, it may underestimate the long-term importance of institutional quality and governance efficiency in ensuring the sustainability of investment-driven growth.

Overall, the reviewed literature demonstrates that investment policy plays a crucial role in shaping economic growth dynamics through multiple channels, including capital accumulation, infrastructure development,

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institutional stability, and international investment flows. At the same time, existing studies reveal that the effectiveness of investment policy depends on several factors such as financial market development, institutional quality, and the structural composition of investments. These findings indicate the need for further research aimed at identifying optimal investment policy mechanisms that can enhance the contribution of investments to sustainable economic growth.

RESULTS AND DISCUSSION

Investment policy is one of the important factors of the country's economic development, which directly affects the processes of economic growth through the volume of capital investments, the expansion of production activities, and the development of foreign economic relations. Therefore, when assessing the effectiveness of investment policy, it is important to analyze the dynamics of changes in the country's main macroeconomic indicators, in particular, GDP growth and export volumes.

Table-1 below presents the country's key macroeconomic indicators for 2021–2025, which allow us to assess the relationship between investment processes and economic growth. These indicators serve as an important analytical basis for determining how the investment policy implemented in the country affects the dynamics of economic development.

Table-1

Dynamics of the country's main macroeconomic indicators (2021–2025)

Indicators	Years				
	2021	**2022**	**2023**	**2024**	**2025**
GDP growth, %	7,4	5,7	6,0	6,5	7,7
Export volume, billion US dollars	19,2	20,3	22,8	25,1	33,8

The data presented show a stable growth trend of the country's economy during 2021-2025. Although GDP growth rates fluctuated to some extent during the analyzed period, they generally maintained positive dynamics. In particular, while GDP growth in 2021 was 7.4 percent, in 2022 this figure decreased to 5.7 percent. However, in recent years, as a result of the recovery of economic activity, growth rates increased again, reaching 6.0 percent in 2023, 6.5 percent in 2024, and 7.7 percent in 2025. This situation indicates that sustainable development processes are taking shape in the country's economy, and in a small and open economy, an increase in export volumes and investment promotion policies are an important factor ensuring GDP growth (Peluffo, 2016).

The dynamics of export volumes also show a consistent growth trend during the analyzed period. In particular, the export volume increased from 19.2 billion US dollars in 2021 to 20.3 billion US dollars in 2022, 22.8 billion US dollars in 2023, and 25.1 billion US dollars in 2024. In 2025, the export volume increased significantly and amounted to 33.8 billion US dollars. This indicates that the country's foreign trade activities are expanding and its export potential is increasing.

The positive dynamics of these indicators indicate that investment policy has a positive impact on economic development processes. If the state pursues an investment incentive policy (tax incentives, credit concessions, investment grants, etc.), this will help firms renew their fixed capital and expand their production capacity. This will make firms more competitive in international markets, increase their export volume and export orientation (Peluffo, 2016). The measures taken to attract investment and modernize production sectors are helping to increase economic activity, develop export-oriented production, and support economic growth. In this regard, investment policy is emerging as one of the important factors in the country's economic growth.

The positive dynamics of the above macroeconomic indicators is directly related to the activation of investment processes in the country. Stable economic growth rates and increasing export volumes are closely related to the volume of investments directed to the economy and their effectiveness. In this regard, it is important to analyze investment activity indicators in order to more accurately assess the impact of investment policy on economic development processes.

The volume, growth rate, composition, and distribution of foreign direct investment (FDI) by sector reflect investors' confidence in the country's economy, its level of competitiveness, and the balance of economic policy (Kibalnyk et al, 2021). At the same time, indicators of investment activity and FDI dynamics allow us to assess the level of activity of investment processes in the economy and the effectiveness of the country's investment policy in attracting foreign capital, and are an important factor in ensuring economic growth rates through the share of investments in GDP and FDI inflows.

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The data in Table-2 show a significant increase in investment activity in the country during 2021-2025. In particular, although the share of investments in GDP fluctuated to some extent during the analyzed period, overall investment activity can be observed to be increasing.

Table-2

Investment activity and dynamics of foreign direct investment (2021–2025)

Indicators	Years				
	2021	2022	2023	2024	2025
The share of investment in GDP	29,2	26,7	29,6	24,9	42,0
Foreign direct investment, billion US dollars.	5,9	8,2	10,1	11,4	38,2

In 2021, the share of investments in GDP was 29.2 percent, while in 2022 this figure decreased to 26.7 percent. In 2023, the share of investments increased again, reaching 29.6 percent, and in 2024 it decreased to 24.9 percent. However, in 2025, the share of investments in GDP increased sharply, reaching 42.0 percent. This indicates a significant activation of investment processes in the country's economy and an increasing role of capital investments in economic development.

The dynamics of foreign direct investment (FDI) also shows a steady growth trend during the period under analysis. In particular, the volume of foreign investment, which amounted to 5.9 billion US dollars in 2021, reached 8.2 billion US dollars in 2022, 10.1 billion US dollars in 2023, and 11.4 billion US dollars in 2024. In 2025, this indicator increased sharply and amounted to 38.2 billion US dollars. This reflects the positive results of the measures taken to improve the investment climate in the country, create favorable conditions for foreign investors, and improve investment policy.

Increased investment activity and the expansion of foreign investment flows are having a positive impact on the pace of development of the country's economy. Reforms carried out within the framework of investment policy to modernize production capacities, implement new investment projects, and develop export-oriented industries are emerging as important factors of economic growth.

In a more in-depth analysis of the activity of investment processes in the country, the volume of investments in fixed capital and their growth dynamics are one of the important indicators. Investments in fixed capital are one of the important factors ensuring economic growth through the expansion of production capacities, development of infrastructure and modernization of economic sectors. Therefore, these indicators serve as important indicators in assessing the practical results of investment policy (Table 3).

Table-3

Volume and growth dynamics of investments in fixed capital (2021-2025)

Indicators	Years				
	2021	2022	2023	2024	2025
Investments in fixed capital, trillion soums	236,6	266,2	356,1	507,5	591,1
Growth rate, %	102,9	100,2	123,4	131,3	110,5

During 2021-2025, the volume of investments significantly expanded, and capital investments in the economy were activated. In particular, in 2021, the volume of investments in fixed assets amounted to 236.6 trillion soums, and in 2022 it reached 266.2 trillion soums. In subsequent years, this indicator increased even more rapidly, reaching 356.1 trillion soums in 2023 and 507.5 trillion soums in 2024. In 2025, the volume of investments reached 591.1 trillion soums, having increased almost 2.5 times over the period under analysis.

Investment growth rates also confirm the activation of this process. In particular, in 2021, the growth rate was 102.9 percent, while in 2022 this figure decreased to 100.2 percent. However, starting in 2023, investment processes became significantly more active, and the growth rate was 123.4 percent. In 2024, investment growth reached an even higher level, reaching 131.3 percent. In 2025, the growth rate was 110.5 percent, indicating that investment processes are continuing steadily.

The consistent increase in the volume of investments in fixed capital indicates that the investment policy implemented in the country has a positive impact on the processes of economic development. The effective allocation of investment resources to economic sectors is of great importance in expanding production capacities, developing infrastructure, and ensuring the structural modernization of the economy. In this regard, an analysis of the distribution of investments and loans directed to fixed capital by types of economic activity allows us to identify priority areas of investment policy.

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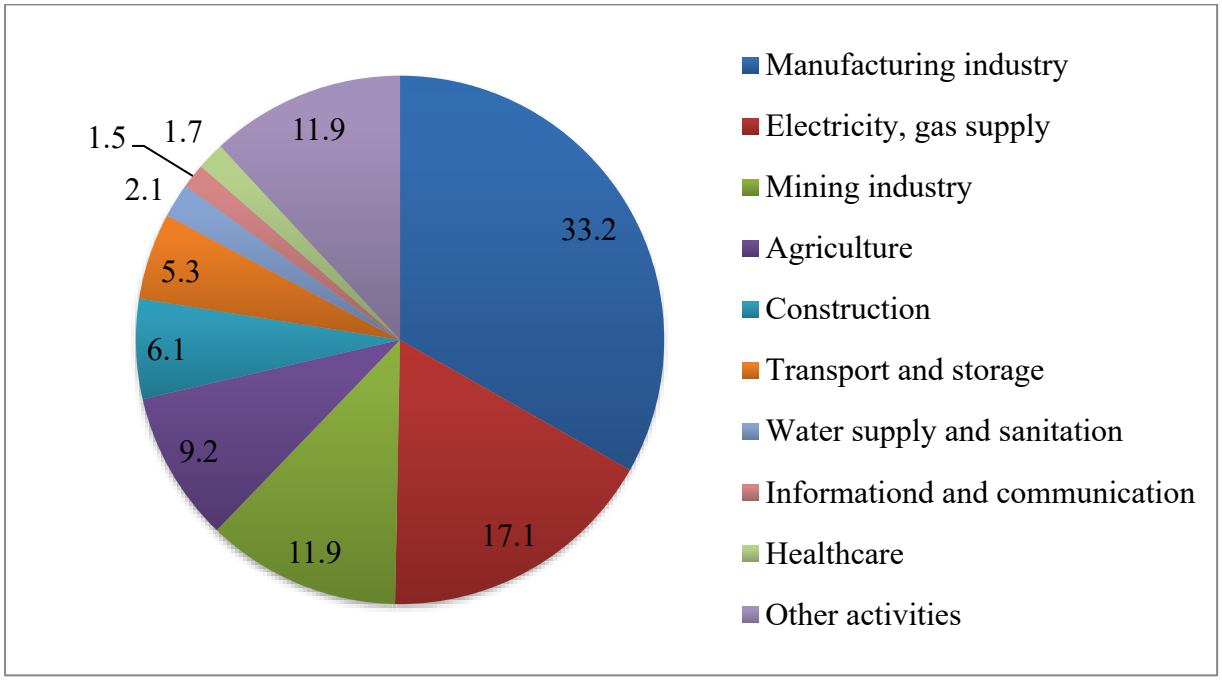


Figure-1. Foreign investment and loans in fixed capital by type of economic activity (%)

According to the diagram, the largest share of foreign investments and loans is directed to the manufacturing industry, its share is 33.2 percent. This indicates that the investment policy aimed at developing industry, expanding production and increasing export potential is one of the priority areas in the country. Large-scale investment in the industrial sector contributes to the structural modernization of the economy and the development of high-value-added products.

Next in line is the electricity and gas supply sector, its share is 17.1 percent. Investments in energy infrastructure play an important role in ensuring the stable functioning of the economy and providing the necessary energy resources for the development of industrial and service sectors.

As can be seen from the diagram, the mining industry and other types of activities also occupy an important place in the structure of investments, each with a share of 11.9 percent. Investments in the mining industry are associated with the efficient use of natural resources, expanding the raw material base, and increasing export opportunities.

Also, the share of the agricultural sector is 9.2 percent, the share of the construction sector is 6.1 percent, and the share of the transport and storage sector is 5.3 percent. Investments in these sectors play an important role in developing the real sector of the economy, improving logistics infrastructure, and ensuring food security.

It can be seen that the share of some other sectors, including water supply and sanitation (2.1 percent), information and communication (1.5 percent), and healthcare (1.7 percent), is relatively low. This means that investment resources are mainly directed to the production and infrastructure sectors.

The distribution of foreign investments and loans by sector shows that the country's investment policy gives priority to the development of the real sector, especially the industrial and energy sectors. Such an approach serves to increase the level of industrialization of the economy, enhance production efficiency, and ensure stable rates of economic growth. The analysis shows that the country's investment policy is one of the main factors shaping the dynamics of economic growth. The macroeconomic indicators considered in the study, investment activity, the volume of investments directed to fixed capital, and the distribution of foreign investments and loans by types of economic activity confirm that investment policy has a multifaceted and systematic impact on economic development processes.

First of all, the positive dynamics of GDP growth and export volumes in 2021-2025 showed that stable growth trends are forming in the country's economy. In particular, the consistent increase in export volumes indicates that investment resources are being effectively absorbed in sectors focused on production and foreign markets. This indicates that investment policy serves not only to expand domestic production potential, but also to strengthen

the country's international economic integration. Thus, investment policy, in addition to being a separate factor stimulating economic growth, is also an important institutional support for the export-oriented development model.

Secondly, the analysis of the share of investments in GDP and the volume of foreign direct investments showed a significant increase in investment activity in the country's economy. Although fluctuations were observed in the share of investments in GDP in some years during this period, the general trend reflects the expansion of investment processes. In particular, a sharp increase in this indicator in 2025 indicates a significant increase in the role of the investment factor in supporting economic growth. Similarly, the steady increase in the volume of foreign direct investments indicates that the reforms implemented to improve the investment climate in the country and facilitate institutional and economic conditions for investors are yielding certain results. This confirms the practical effectiveness of investment policy in attracting external capital flows.

Thirdly, the analysis of the volume of investments in fixed capital and their growth rates showed that there are active investment processes in the economy aimed at expanding and modernizing production capacities. The increase in the volume of investments in fixed capital by almost 2.5 times during 2021–2025 indicates that investment policy serves to accelerate capital accumulation in the real sector. The high growth rates in some years indicate that investment activity is becoming intensive, and in 2025, a relatively moderate pace is maintained, which indicates that this process is entering a stabilization phase. This conclusion shows that investment policy is important for economic growth not only in terms of volume, but also in terms of strengthening the foundations of production.

Fourth, the distribution of foreign investments and loans by type of economic activity made it possible to identify priority areas of investment policy. The analysis showed that the largest share falls on the real sector, such as manufacturing, energy, mining and agriculture. This indicates that investment policy is more focused on the development of the productive and infrastructural segments of the economy. In particular, the high share of investments directed to the manufacturing industry indicates the presence of a strategic approach aimed at creating high added value, import substitution, expanding export-oriented production and accelerating industrial modernization. Investments directed to the energy and transport and logistics sectors play an important role in strengthening the institutional and infrastructural foundations of economic growth.

At the same time, the analysis also showed that the share of investment in some sectors is relatively low. In particular, the low share of foreign investment in areas of social and innovative importance, such as information and communications, healthcare, water supply and sanitation, indicates the need to further diversify investment policy. Because modern economic growth is closely related not only to traditional production factors, but also to human capital, digital infrastructure, technological innovation and the quality of social services. Therefore, in the future, when improving investment policy, it would be appropriate to increase the share of investment directed to innovative and social sectors, along with the real sector.

CONCLUSION

Based on the results of the study, it can be said as a general scientific conclusion that investment policy has a significant impact not only on the quantitative rates of the country's economic growth, but also on its qualitative indicators. That is, through investment policy, capital accumulation in the economy increases, the production base expands, export potential increases, infrastructure improves, and inter-sectoral structural shifts occur. This makes it possible to evaluate investment policy as a strategic tool for managing the dynamics of economic growth.

In practical terms, in order to further increase the effectiveness of investment policy in the country, it is necessary to pay attention to several priority areas. First, ensuring the stability and predictability of the investment environment, secondly, strengthening legal and institutional guarantees for foreign investors, thirdly, directing investment resources to sectors that create high added value, and fourthly, balancing investment policy at the regional and sectoral level is important. Only then will investments appear not as a short-term factor of economic growth, but as a solid foundation for long-term and sustainable development.

Thus, the study substantiated the existence of an integral, positive and multidirectional relationship between the country's investment policy and the dynamics of economic growth. Consistent and effective implementation of investment policy will continue to be an important condition for supporting the pace of economic development, accelerating structural modernization and increasing the competitiveness of the national economy.

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