

**ANALYSIS OF INVESTMENT MANAGEMENT IN THE
TEXTILE INDUSTRY OF UZBEKISTAN**

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Guzal Umarova

Doctor of Economics, Acting Professor of the Department of "Green Economy" TSEU

Tukhtaeva Shakhnoza

Senior Teacher of the Department of "Foreign language education" TSEU

Abstract

This article analyzes the strategic development of the textile industry, one of the leading sectors in Uzbekistan, as well as the state of investment activity and management in the textile sector. The article discusses key issues related to attracting foreign investments and improving regulatory mechanisms to increase investment activity. Special attention is given to the role of the "Uztextile Industry" Association in enhancing investment effectiveness. The study also provides recommendations for further development, focusing on modernization, diversification, and innovation within the industry.

Keywords

investment activity, favorable investment climate, foreign direct investment, investment management, production volume, high value-added products, processing, modernization, diversification.

In the context of deepening global integration, scientific research on managing investments in the strategic development of textile enterprises focuses on strategic management, risk management, project management, strategic planning, and the development of strategic programs. It also covers strategic analysis, goal-based management, the organization of strategic management through digitalization technologies, the development of enterprises' innovation strategies, and investment management. Particular attention is paid to scientific research aimed at improving strategic management mechanisms for investment activities in the textile industry and developing its scientific and methodological foundations.

In recent years, the share of various countries in the global textile market has increased. Specifically, China accounts for 24%, the USA for 19%, India for 13%, Pakistan for 8%, Uzbekistan for 5%, African countries for 5%, Turkey for 4%, Brazil for 4%, Australia for 3%, and Greece for 2% [10].

The growing global demand for textile products highlights the importance of increasing investment management efficiency in this sector. In Uzbekistan, the textile industry is one of the key sectors, and significant practical efforts are being made to further develop this sector by attracting foreign investments, implementing quality management systems, and applying innovative management methods. According to Uzbekistan's Development Strategy for 2022–2026, one of the strategic goals is to "double the production volume of textile industry products." Additionally, under Goal 26, the strategy aims to "improve the investment climate in the country, increase its attractiveness, and attract a total of 120 billion USD in investments over the next five years, including 70 billion USD in foreign investments." It also focuses on implementing an effective system for utilizing investments and increasing export volumes through a "bottom-up" approach. Another important objective, Goal 28, is to "increase the country's export potential and achieve 30 billion USD in export revenues by 2026" [1]. Successfully achieving these goals necessitates improving investment management for the strategic development of Uzbekistan's textile enterprises.

Attracting investments plays a crucial role in further developing the textile industry and increasing the economic potential of manufacturing enterprises. The influx of foreign investments helps solve significant socio-economic issues, such as effectively utilizing idle production capacities, producing import-substituting and export-oriented products from local raw materials, and increasing employment. This, in turn, requires creating a favorable investment environment, providing guarantees, and strengthening economic incentives for foreign investors. Without establishing a favorable investment climate and actively attracting foreign investments, countries transitioning to a market economy cannot successfully integrate into the global economic community. Thus, a country's role and position in the global community are determined by its level of economic and social development. For Uzbekistan, selecting rational ways to attract foreign investments into the national economy remains a key priority.

In Uzbekistan's economic modernization process, identifying and leveraging factors that can rapidly create and promote a favorable investment environment is a pressing issue. State governance plays an essential role in shaping a multi-sectoral market economy. The government is responsible for implementing structural reforms, addressing inter-sectoral and regional disparities, and ensuring technological progress.

The Presidential Decree of the Republic of Uzbekistan No. PF-5285, issued on December 14, 2017, "On Measures for the Accelerated Development of the Textile and Sewing-Knitting Industry," played a significant role in implementing structural

transformations, improving the investment climate, and widely introducing innovations to enhance economic efficiency and export potential.

Under this decree, the "Uzbekengilsanoat" JSC planned to implement 79 projects as part of the 2015–2019 program for structural transformations, modernization, and diversification of production. Of these, 58 projects involved establishing new enterprises in collaboration with foreign partners, modernizing existing enterprises, and conducting technical and technological upgrades. Additionally, 21 projects were expected to be implemented with foreign investments.

Some of these promising projects included establishing textile complexes at the bases of unfinished construction sites in the Ellikkala and Kungrad cotton-cleaning plants, as well as in the Gijduvon, Jondor, and Romitan districts. Another major project was the development of the "Indorama Kokand Textile" foreign enterprise (4th phase).

The successful implementation of the objectives outlined in this decree has led to positive results in the development of the textile industry and the improvement of investment management in Uzbekistan.

In 2015, the conditions created by our state for the development of textile industry enterprises and the practical assistance provided contributed to increasing the competitiveness of manufactured products and, as a result, expanding the export volume of finished products. In particular:

Firstly, during the reporting period, investments amounting to 174.6 million USD (108.9% compared to 2013) were attracted within the framework of the Investment Program, and 180.27 million USD (116.6%) were utilized. A total of 33 new and modernized enterprises were launched. As a result, the production capacity of the industry increased by 34.55 thousand tons for yarn, 5 thousand tons for knitted fabric, and 9.58 million pieces for sewing and knitted products. Due to these enterprises, the export potential of the industry increased by 116.7 million USD, and 2,892 new jobs were created.

These enterprises include "Royal Silk" LLC in Andijan region, "Bukhoro Techno Invest" LLC in Bukhara region, "Nafis Tex Group" LLC in Namangan region, "Samarkand Ipligi" LLC, "Nur Sam Kur" LLC, "Sam Rafoat Textile," and "Yasham Epkarlen" in Samarkand region, "Hamza Expo Art Textile" HK, and the third phase of "Indorama Kokand Textile" in Fergana region, all equipped with modern technologies and equipment from leading global manufacturers.

Secondly, during this period, the growth rate of industrial production reached 123.0% (amounting to 2852.7 billion UZS). Due to measures to increase the deep processing of cotton fiber, the production of sewing and knitted products increased

1.2 times compared to the same period last year, while sock production grew 1.15 times. A total of 126 new models of 55 different types were produced, amounting to 140.7 billion UZS in consumer goods, and products worth 861.9 million USD were exported to more than 50 countries worldwide (104.1% compared to 2013). The share of consumer goods in total industrial production reached 40%.

Thirdly, during this period, 11,313 jobs were created in the industry, including 5,362 jobs through investments, 5,576 jobs through industry development, 350 jobs through home-based work, and 25 jobs through the organization of localized product manufacturing.

Fourthly, the share of small business enterprises within the association in total industrial production reached 41.5%, while their share in exports was 42.3%.

Fifthly, the cost of production was reduced by 16.1 billion UZS, and the volume of goods produced per 1 UZS of fixed assets increased by 107.9% (to 121.8 UZS), resulting in an industry profitability level of 9.1%.

Based on the state program of the Action Strategy, during 2017-2020, 85 new projects with a total value of 494.05 million USD were developed and implemented to establish modern enterprises specializing in textile production and to modernize existing ones.

These include 15 projects in Bukhara region, 12 projects each in Khorezm and Syrdarya regions, 10 projects each in the Republic of Karakalpakstan and Fergana region, 8 projects in Navoi region, 7 projects in Surkhandarya region, 4 projects in Jizzakh region, 3 projects in Samarkand region, 2 projects in Tashkent region, and 1 project each in Andijan and Kashkadarya regions—all of which have been implemented.

In particular, production capacities for 10 million towels were established at "Uztex Uchkurgan" LLC in Uchkurgan district of Namangan region, a facility for the production of 22,000 tons of blended yarn was established in Karshi district of Kashkadarya region, and sock production capacities were established at "Qatqala" LLC in Shovot district of Khorezm region.

By 2019, a modern educational and research textile technopark will be launched on the basis of the Tashkent Institute of Textile and Light Industry. More than 80% of the attracted foreign investments come from major partner countries such as South Korea, Switzerland, Singapore, the United Kingdom, Germany, India, and Turkey. While in the 1990s, only South Korea's "Daewoo International" company was involved, today the industry has expanded to include South Korea's "Yanguan Corporation" and "Textile Technology Group," Singapore's "Indorama Corporation" and "Veriagrow," Switzerland's "Rieter" and "Swiss Capital," Japan's

"Toyota Tsusho Corporation," and Turkey's "Bo Group," "Lkim Textile," "Vayrex," and many other large industrial giants.

In particular, the joint venture "Indorama Kokand Textile" was established based on the Kokand Textile Combine. Investments made by Singapore's "Indorama Corporation" increased to a total of \$165.0 million, creating more than 1,000 new jobs. In the Khorezm region, in collaboration with Switzerland's "Swiss Capital" company, a large-scale project was implemented to produce ready-made hosiery products using cutting-edge technology from leading European companies, which is unparalleled in Central Asia. Additionally, in Karshi city (Kashkadarya region) and Uchkurgan district (Namangan region), large industrial facilities were constructed in cooperation with foreign investors from Singapore's "Hytex Singapore" and the Netherlands' "LT Textile Cooperative" companies. These facilities were established to manufacture new textile products, including blended yarn and blended fabric [8].

Special attention is being given to innovative projects in the field of textile machinery manufacturing and scientific research. For example, the foreign company "Rieter Uzbekistan" was established on the basis of the "Uzbektextilmash" production association. Today, it produces a complete range of modern textile equipment for yarn production. The establishment of this enterprise has allowed Uzbekistan's textile industry to develop its own modern machine-building base.

Additionally, in the "Jizzakh Free Industrial Zone," a plant has been set up for the production of a wide range of sewing machines, sewing accessories, and fittings. A modern training center is also being built under the "Rieter Uzbekistan" foreign company. This center is designed to provide regular training on modern models and new design developments, deepen knowledge of spinning production processes, and train Uzbek specialists in the operation of textile equipment's technological and mechanical components (Table 1).

Textile Enterprises Launched in 2015-2020

Years	Number of enterprises	Jobs created	Capital investment (USD))	Capacity	Export (USD)
2015	37	8157	127,3	55.2 thousand tons of yarn, million linear meters of fabric, thousand tons of knitted fabric, million pairs of socks	102,4
2016	32	10837	190,2	59.5 thousand tons of yarn, million linear meters of fabric, million pieces of finished products, million pairs of socks	124,1

2017	34	12030	250,5	85.5 thousand tons of yarn, million linear meters of fabric, million pieces of finished products, million pairs of socks, thousand tons of knitted fabric	172,6
2018	60	10654	829,7	178.4 thousand tons of yarn, million linear meters of fabric, million pieces of finished products, million pairs of socks, thousand tons of knitted fabric	183,3
2019	65	15568	814.4	58.4 thousand tons of yarn, million linear meters of fabric, million pieces of finished products, million pairs of socks, thousand tons of knitted fabric.	163,3
2020	71	16855	836,3	Cotton yarn: 124.7 thousand tons Dyed yarn: 5.2 thousand tons Knitted fabric: 6.1 thousand tons Blended fiber fabric: 35.0 thousand meters Ready-made sewing and knitwear products: 89.2 million pieces Sock products: 6.3 million pairs Dyed knitted fabric: 21.1 thousand tons	255,8

Additionally, if we review the work carried out in 2018-2020 on the establishment of cotton-textile clusters, 2 clusters were established in 2017, 13 in 2018, 60 in 2019, and 16 in 2020. In 2020, a total of \$814.4 million was invested in the sector, including \$449.7 million in foreign investments. These funds were used to establish 83 new and modernized enterprises. Between 2018 and 2021, approximately 281 investment projects worth \$2,690.8 million were implemented. The majority of these projects specialized in the production of finished products, such as dyed yarn, knitted fabric, textiles, knitwear, and sewn products (Table 2).

"Uztextile Industry" Association 2018-2021 Innovation and Investment Activity Dynamics

T/p	Indicators	2018 year	2019	2020 year	2021
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1.	The number of mastered innovation-investment projects.	60	65	71	85
2.	Value of innovation-investment projects, mln. dollars. Including:	550,7	829,7	474,1	836,3
3	At their own expense	274,5	268,6	136,4	216,5
4	Credit from commercial banks	262,8	536,7	234,4	140,8
5	Foreign investments and loans	13,5	24,3	103,3	479,0
6	Number of jobs created	10654	15568	16855	22820
7	Export potential of innovation-investment projects, mln. dollars.	253,6	377,3	187,4	255,8

The projects were mainly financed through the enterprises' own funds, commercial bank loans, as well as foreign investments and credits. As a result of the implemented innovation and investment projects, the sector's export potential increased by **\$1,074.1 million** during the studied period, and **65,897 new jobs** were created.

Figure 1 presents information on prospective projects in the textile sector and the mechanisms for their implementation. The analysis of this data indicates that in **2021**, it was planned to implement **62 projects** worth **\$832.3 million**, aimed at creating **17,805 new jobs**. However, in reality, **85 innovation and investment projects** worth **\$836.3 million** were implemented, resulting in the creation of **22,806 new jobs**.

Due to the integration of innovation and investment projects in the enterprises of the **Uztextile Industry Association**, an increase in export-oriented production capacities has been achieved (Table 3).

Table3

Production Capacities Created Through the Implementation of Innovation and Investment Projects in the Enterprises of the **Uztextile Industry Association**

T/p	Indicators	Unit of measurement	2018 y	2019 y	2020 y	2021 y
1.	Cotton thread	thousand	149,2	187,1	124,7	135,5
2.	Dyed yarn	thousand	10,0	23,8	5,2	11,1
3.	Knitted fabric	thousand	13,9	18,5	6,1	34,3
4.	Mixed fiber gauze	thousand	29,4	111,0	35,0	85,1

5.	Ready-made sewing goods	million pairs	28,6	60,8	89,2	176,4
6.	Hosiery products	million pairs	1,5	1,9	6,3	3,0
7.	Dyed knitted fabric	thousand tons	25,2	23,5	21,1	32,5

As a result of the implemented projects, in 2021, compared to 2018, the production volume of yarn decreased by 461 thousand tons. However, the production of value-added products increased, with knitted fabric production rising by 20.4 thousand tons, the production of finished textile and knitted garments reaching 147.8 million units, hosiery production increasing by 1.5 million pairs, and dyed knitted fabric production growing by 7.3 thousand tons. Additionally, 36 thousand tons of dyed yarn and 175.4 thousand meters of blended fiber fabric, classified as innovative products for the industry, were manufactured.

The implementation of the projects outlined in this Decree is planned in regions where textile and sewing-knitting industry enterprises are underrepresented. The aim is to create new jobs in these areas and improve the living standards of the population (Table 4).

The Dynamics of Implementing Innovation and Investment Projects by Regions in Enterprises of the “Uztextile Industry” Association.

T/p	Indicators by region.	2018 y	2019 y	2020 y	2021 y
1.	Republic of Karakalpakstan				
	Number of investment projects	2	2	4	1
	Cost of projects, million dollars	16,4	61,2	17,2	10,0
2.	Andijan region				
	Number of investment projects	13	4	16	18
	Cost of projects, million dollars	84,6	63,3	125,0	161,2
3.	Bukhara region				
	Number of investment projects	7	13	4	5
	Cost of projects, million dollars	41,7	93,8	42,6	136,1
4.	Jizzakh region				
	Number of investment projects	9	8	6	2
	Cost of projects, million dollars	62,5	88,4	53,2	29,0
5.	Kashkadarya region				
	Number of investment projects	3	1	2	6
	Cost of projects, million dollars	32,8	2,8	23,3	156,5
6.	Navoi region				
	Number of investment projects	3	4		8
	Cost of projects, million dollars.	10,9	45,95	19,6	28,8
7.	Namangan region				

	Number of investment projects	3	8	7	15
	Cost of projects, million dollars	48,4	98,1	40,1	76,8
8.	Samarkand region				
	Number of investment projects	4	8	2	3
	Cost of projects, million dollars	10,4	125,4	4,2	14,1
9.	Surkhandarya region				
	Number of investment projects	6	1	1	2
	Cost of projects, million dollars	123,7	3,6	1,5	25,5
10.	Tashkent region				
	Number of investment projects	4	3	5	5
	Cost of projects, million dollars	41,5	70,1	8,4	56,1
11.	Fergana region				
	Number of investment projects	3	5	6	7
	Cost of projects, million dollars	14,9	78,5	41,0	27,4
12.	Khorezm region				
	Number of investment projects	2	4	2	7
	Cost of projects, million dollars	17,3	66,5	9,4	37,7
13.	Tashkent city				
	Number of investment projects	2	3	4	2
	Cost of projects, million dollars	45,8	67,1	46,6	13,5

In the Republic of Karakalpakstan, during the years 2018–2020, eight projects worth a total of \$94.8 million were implemented in cooperation with the British company "Frusex," the Japanese company "Toyota Tsusho," and the German company "Saurer." As a result, production capacities were established for 13,000 tons of yarn, 4,000 tons of knitted fabric, 32.7 million square meters of fabric, 3.0 million pairs of socks, and 2,000 tons of dyed yarn.

In the Kashkadarya region, six enterprises were established in collaboration with the Dutch company "LT Tekstile," the German company "Saurer," and the Swiss company "Rieter AG," with a total investment of \$58.9 million. These enterprises created production capacities for 27,000 tons of yarn, 9.0 million square meters of fabric, 8.0 million pairs of socks, and 1,500 tons of knitted fabric.

In the Samarkand region, ten projects worth a total of \$140 million were implemented in cooperation with the Polish company "Europol Impex" and the German company "Terrot." As a result, production capacities were established for 15,000 tons of yarn, 7.0 million square meters of fabric, 4.2 million units of ready-made knitted garments, and 6,000 tons of knitted fabric.

The expansion of the foreign enterprise "Jizzakh Kantex" in the Jizzakh region led to the establishment of production capacities with an annual output of 5,000

tons of dyed yarn. In the Namangan region, the "Namangan To'qimachi" enterprise was expanded between 2018 and 2020, creating production capacities for 2,500 tons of yarn and 7.0 million square meters of fabric. Similarly, in the Fergana region, the expansion of "Bulut Textile" LLC resulted in the creation of production capacities with an annual output of 13.0 million square meters of fabric.

Additionally, during 2018–2020, yarn dyeing production capacities with a total output of 24,000 tons were commissioned in 12 regions of the republic, with an investment of \$30 million, of which \$21 million came from foreign investors.

Between 2018 and 2020, textile complexes worth a total of \$132 million were established on the basis of unfinished construction sites in the Romitan and Jondor districts of the Bukhara region. Moreover, in Gijduvon district, a textile complex worth \$22.1 million was created in a manufacturing building that had been inactive for several years.

Currently, production capacities have been established to process approximately 63% of the cotton fiber produced in the Republic. Around 65% of the implemented projects are focused on diversifying production and creating facilities for manufacturing finished textile products.

As a result of the implementation of these projects during 2018–2020, the production of all types of consumer goods was established in various regions, ensuring convenience for the population and meeting their needs for essential products. This, in turn, contributed to an increase in the real incomes of consumers.

Furthermore, it is planned to implement 21 projects with a total value of \$291.5 million on the basis of currently inactive manufacturing enterprises. The implementation of these projects will result in the establishment of production capacities for 67.3 thousand tons of yarn, 35.5 million square meters of fabric, 14.0 thousand tons of knitted fabric, and 47 million units of ready-made garment and knitwear products [9].

One of the key directions of the textile and garment industry development programs and the management of their innovative activities is the deep processing of raw materials, the production and export of high value-added finished products, as well as the expansion and support of industrial cooperation. Additionally, the sector aims to develop a sustainable growth strategy based on market research in domestic and international markets.

The strategy for the development of the textile and garment industry for the period 2021–2025, and further until 2030, is based on a comprehensive analysis of the sector's capabilities. It aims to increase the share of high-value finished products through the deep processing of domestically produced cotton fiber. To achieve this, the effective use of innovative technologies and developments, their

active implementation in production, the development and improvement of intersectoral cooperation, and structural changes in production will be prioritized. Special attention will be given to increasing the production of outerwear and knitwear products.

As part of the sector's further development, the 2022–2026 Development Program includes the implementation of 225 innovative-investment projects with a total value of \$2.437 billion. These projects are expected to create 80,000 new jobs. The organizational and economic mechanisms for implementing these innovative-investment projects have been developed.

The strategy outlines the study of customer demands and needs through existing dealership divisions, trading houses, and company stores in both domestic and international markets. Based on these studies, new product types will be introduced, including blended fabrics made from cotton fiber mixed with synthetic, silk, and artificial fibers.

By 2030, as a result of the implementation of these strategic tasks, the production of fabrics is expected to reach 2,138.8 million square meters, requiring 350.5 thousand tons of yarn. Additionally, the production of 525 thousand tons of knitted fabric will require 541.2 thousand tons of yarn, while the production of 551.2 million pairs of socks will require 57.7 thousand tons of yarn. In total, by 2030, an estimated 949.4 thousand tons of yarn will be utilized for these products, ensuring that all produced yarn is fully processed [9].

In conclusion, the strategy envisions the implementation of 170 projects between 2021 and 2030, leading to a significant increase in production volumes: Fabric production will increase by 5.8 times, Knitted fabric production by 7.3 times, Garment and knitwear products by 6.3 times, Sock production by 7.6 times, Export volumes by at least 5 times.

According to Presidential Decree No. 4453, issued on September 16, 2019, "**On Further Development of the Light Industry and Measures to Promote the Production of Finished Products**," by 2025, the production of textile and garment-knitwear products will increase: Yarn production by 2.7 times (1,032.5 thousand tons), Fabric production by 3 times (1,425.9 million square meters), Ready-made knitted fabric by 3.1 times (546 thousand tons), Garment and knitwear production by 4.1 times (3,080 million units), Textile haberdashery by 5 times (360.5 million units), Sock production by 1.6 times (427 million pairs), Export volumes by 3.3 times (7,075 million dollars).

The strategy also includes initiatives for the development of the "**Uzbek Fashion Industry**" and support for local designers, such as: Regular exhibitions showcasing the products of manufacturers and national clothing collections,

collaboration between production specialists and designers on new projects and innovative ideas, cooperation with foreign experts from France, Italy, Germany, Russia, Azerbaijan, Japan, and South Korea.

The share of high value-added products (dyed yarn, finished fabrics, garment-knitwear products, and socks) in total exports reached **47%**. The number of enterprises engaged in export activities increased by **120**, reaching a total of **1,100**. Additionally, the number of newly entered foreign markets expanded by **three**, particularly due to Uzbekistan's increasing trade with the European Union.

In our opinion, ensuring the sustainable development of industry, particularly its key sectors such as textiles, light industry, mechanical engineering, and the processing of agricultural products, will form the foundation of investment policy in the future. Above all, attracting direct foreign investments into these sectors will play a crucial role in increasing investment activity.

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