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INVESTMENT AND INNOVATION: INTERCONNECTION AND THEIR PLACE IN THE MODERN ECONOMY

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Abstract: In the article investment and innovation concepts in the economy theoretical and practical their place each other connection , modern in the economy importance analysis In world experience used mechanisms , Uzbekistan in practice take going reforms and leather - fur in the industry investment-innovation strategies harmony issues illuminated .
Keywords : investment , innovation , economic growth , technology , synergy, competitiveness , leather and fur industry .

Current globalization in the processes of countries economic power their natural resources or geographical location with not , maybe innovative potential and investment opportunities with World bank and International currency fund to the information according to , last ten annually gross internal of the product growth pace high was in the countries investment and innovative politics central place caught

Uzbekistan investment for and innovation economic of reforms basis as In particular , in our country working to release modernization to do , new technologies attraction to grow and high additional valuable products export increase according to wide extensive measures done is being increased .

Investment plays a vital role in economic development, serving as a driving force not only for capital multiplication but also for broader social and technological transformation. Its functions extend beyond financial growth to shaping the structure and dynamics of society. One of the key functions of investment is capital formation and renewal, which ensures the modernization of production tools and the creation of new production capacities. Another important role of investment is the increase of competitiveness, as enterprises are able to adopt advanced technologies and improve their efficiency. At the same time, investment contributes to social stability by generating new jobs and raising the income levels of the population. Furthermore, it fosters regional development by attracting capital to less-developed areas, building infrastructure, and supporting industrial growth. For instance, in Uzbekistan the volume of capital-directed investments reached 330 trillion soums, with 30 percent of this amount accounted for by foreign investments. This reflects the growing economic openness of the country and its expanding international cooperation.

Innovation is a key driver of economic dynamism and development, acting not only as a means of modernizing production but also as a factor that takes the entire economic system to a new stage. It introduces fundamental changes in products, processes, management, and even social life. Product innovation refers to the creation of new goods, such as bio-leather-based products that diversify and modernize industries. Process innovation involves optimizing production methods, for example, by introducing eco-friendly technologies in leather processing. Management innovation is linked to the adoption of new organizational and marketing methods that enhance efficiency and competitiveness. Social innovation, on the other hand, is aimed at improving the quality of life, such as through “green economy” initiatives. According to data

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from UNIDO (United Nations Industrial Development Organization), countries that actively invest in innovation achieve GDP growth rates that are on average 2.5 times higher than those that do not.

The synergy between investment and innovation is particularly important, as both complement and reinforce each other. Investment provides the foundation for innovation by funding scientific research, technological development, and startup activities. At the same time, innovation makes investment more effective by reducing the payback period through the use of advanced technologies. Their combined effect generates a synergistic impact, as seen in industries such as leather and fur, where the application of new technologies has significantly boosted export potential. Moreover, investment and innovation together create a continuous development chain: investment fuels innovation, and innovation, in turn, generates the need for new investments, ensuring sustainable economic progress.

World experience shows that investment and innovation are decisive factors in shaping modern economies. In the United States, the world's largest market for venture capital and startups has given rise to globally recognized companies such as Google and Apple, illustrating how innovation ecosystems drive long-term competitiveness. Japan has successfully advanced through the creation of technology parks and the promotion of the "industry–education–science" triangle, which fostered close cooperation between universities, research institutions, and businesses. South Korea, with strong government support, managed to transform itself within just two decades into an "innovative economy," building global leadership in industries like electronics and telecommunications. China, through its "Made in China 2025" strategy, has focused on large-scale investments in high-tech sectors, significantly expanding its industrial and technological capabilities.

Uzbekistan is also actively developing its investment and innovation potential. In recent years, particular attention has been given to advancing these areas through strategic policies and international partnerships. The Innovative Development Strategy for 2019–2021 was adopted to strengthen the national innovation ecosystem. A network of technoparks was established in Tashkent, Samarkand, Namangan, and Bukhara, creating platforms for startups and industrial modernization. In addition, the leather and fur industry has been modernized in collaboration with Italy, Turkey, and South Korea, integrating advanced technologies and management practices. As a result, in 2023, exports of leather and fur products exceeded 200 million US dollars, representing a 1.3-fold increase compared to previous years. These achievements highlight the practical benefits of combining investment and innovation, demonstrating their joint role in fostering economic diversification and global competitiveness.

Investment and innovation are the most important factors of economic development. Their combination increases the competitiveness of the national economy, modernizes production and creates new export opportunities. World experience shows that without innovation, investment efficiency is low , and innovation without investment is not implemented in practice. In the conditions of Uzbekistan , the combination of these processes , in particular, strengthening investment and innovation strategies in the leather and fur industry , will serve as a decisive factor in entering a new stage of economic development .

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