

## INVESTMENTS AND RELATED INVESTMENT DECISIONS

## ИНВЕСТИЦИИ И СВЯЗАННЫЕ С НИМИ

## ИНВЕСТИЦИОННЫЕ РЕШЕНИЯ

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This article covers the essence of investments, their role in economic development and the process of making investment decisions associated with them. It examines in detail factors such as investment types, risks and expected rate of return. The article also analyzes methods for evaluating investment projects

**Key words:** Investments, investment decisions, investment risk, capital investments, economic analysis, investment strategy, project assessment, financial resources, profitability level, risk management

В данной статье освещается сущность инвестиций, их роль в экономическом развитии и процесс принятия связанных с ними инвестиционных решений. В нем подробно рассматриваются такие факторы, как типы инвестиций, риски и ожидаемая норма прибыли. Также в статье анализируются методы оценки инвестиционных проектов

**Ключевые слова:** Инвестиции, инвестиционные решения, инвестиционный риск, капитальные вложения, экономический анализ, инвестиционная стратегия, оценка проекта, финансовые ресурсы, норма прибыли, управление рисками

Currently, attention is being paid to investments as the basis for the economic and social development of any country, because world experience shows that the country that attracts the most investment into its economy and creates a favorable investment environment achieves rapid economic growth.

Investment as an economic category has a very broad meaning. The concept of investment (derived from the Latin word "investio", meaning "to clothe") is interpreted in almost any dictionary as the investment of capital into sectors of the economy, both domestically and abroad.<sup>1</sup>

The unique role of investments in determining the specific direction of the development of the economy of Uzbekistan creates the need to study the issue of

<sup>1</sup> Makhmudov N.M., Avazov N.R. "Ways of effective use of investments in the development of the economy of Uzbekistan": Popular scientific treatise. – T.: TSIU, 2019. - 4 p.

increasing the role of investment in sustainable development on a scientific basis. Identifying the problems associated with increasing the role of investment in the sustainable development of the country's economy and developing scientific proposals aimed at solving them, thereby studying the opinions of scientists in a comprehensive study of the economic and social content and essence of investment is one of the important directions of studying this topic. Since there are different opinions among economists about the economic content and essence of investments, bringing them into a single system is of great scientific interest among economists.

The fact that the concept of investment, one of the main economic concepts of a market economy, has become widespread and rapidly entering our lives today, demonstrates its essence, importance, and necessity. The increasing number of new enterprises with foreign investment and their establishment is the result of the great attention our government pays to this area and the facilities it creates for them. Therefore, economic incentives and the creation of necessary conditions for enterprises attracting foreign investment to our country are one of the most important issues.

Investments are the driving force behind the socio-economic development of any country, with their help the development of the economy based on innovations and high technologies is supported, import substitution and export-oriented production policies are successfully implemented, modern infrastructure is developed, new jobs are created, the problem of unemployment is prevented, and most importantly, a modern economic system based on free competition and entrepreneurial relations is developed. Another important importance of investments is that they determine the development prospects of any country in the near and long term.

In the context of economic modernization, investment flows are considered a stable financial source for the implementation of the country's long-term strategic plans. Recently, in the economic literature and by practitioners, economic terms such as investment, investment flow, investment climate, etc., have been given overlapping definitions. However, given that paying close attention to the above points requires a large research effort, it is more important for us to focus on the term investment.

D.G.Gozibekov in his scientific works managed to interpret the essence of investment as a financial category. He defined it as "the essence of investment is to obtain funds from clear and reliable sources, mobilize them reasonably, maintain the value of capital, taking into account the level of risks, and obtain the desired result."<sup>2</sup>

The content and essence of investments is defined by Prof. N.H. Haydarov as follows: "Investment is the spending of assets by individuals and legal entities

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<sup>2</sup> G'ozibekov D .G'. Issues of financing investments. T.: "Finance" publishing house. 2022. 26 pages.

operating on an entrepreneurial basis, regardless of the form of ownership, or the state, on any business object within the framework of the law in order to obtain economic and social benefits.”<sup>3</sup> These definitions of the essence of investments provide a positive solution to the constant modernization of investments based on market requirements, increasing their competitiveness, ensuring a positive balance of the country's foreign trade balance, and other similar economic issues. However, the insufficient presence of investors in the economy, as well as their ineffective placement, creates a number of problems. This, first of all, leads to the emergence of crisis situations, a negative impact on economic growth and other aspects.

Economists of the Russian Federation have come up with a definition that serves to ensure a positive result, namely, L. Igoshina defined "investments as any means by which money can be stored, increased, or placed with the aim of providing a positive amount of income."<sup>4</sup>

From the theories of the above scholars, we can see that attracting foreign investment is an important direction of economic development policy. In most countries of the world, national investment promotion agencies have been established with the authority to attract foreign direct investment. It outlines the main implementation issues and serves as a practical guide for agencies across the region to attract direct investment and further improve its effectiveness.

The purpose of an investment attraction strategy is to develop a strategic plan for attracting business investment, based on a set of specific goals that can be achieved through the implementation of well-thought-out tactics.

It is known that in an area where an investment climate needs to be created, foreign investors conduct an in-depth analysis of the statistics and living conditions and standards of the area. This analysis serves as a key factor in identifying potential foreign investors and directing their funds.

Strategic enterprises, including important export-oriented enterprises in the natural resources and utilities sectors, are prime candidates for direct investment, but these sectors are significantly limited as FDI targets in Uzbekistan. For all of Central and Eastern Europe, FDI resulting from privatization accounted for almost 49 percent of total FDI inflows in recent years. Uzbekistan's economy, particularly its export sectors, is oriented towards commodity production.

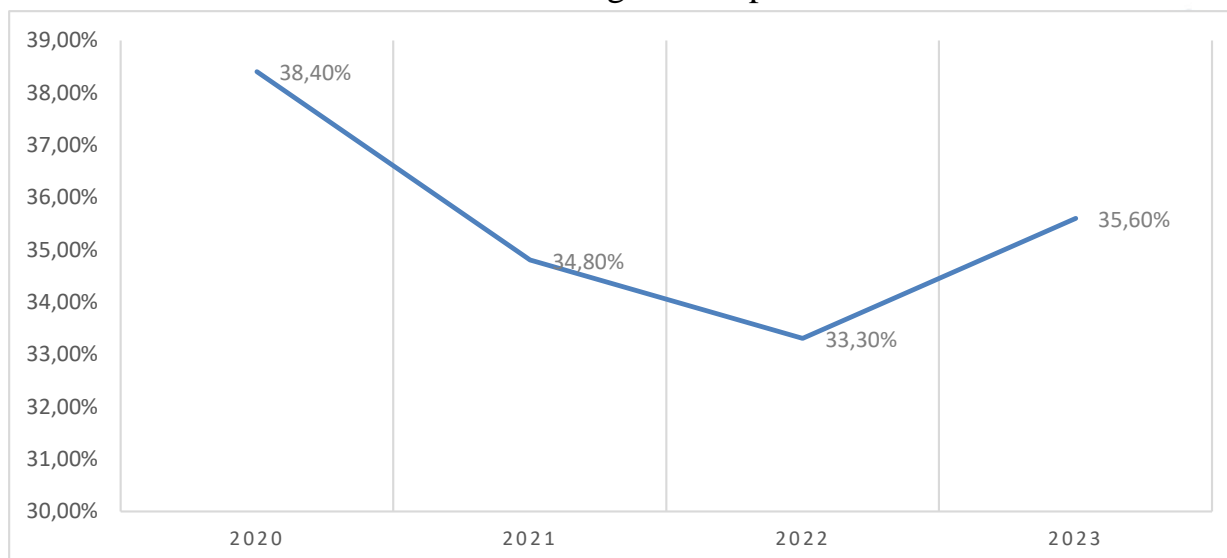
As can be seen from Figure 1, investment in Uzbekistan also decreased slightly due to the complications of the pandemic in 2021. This indicator was 38.4 percent in 2020, but has now approached 33.3 percent. It should also be noted that since the

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<sup>3</sup> Haydarov N.H. Issues of improving financial and tax relations in the investment activities of enterprises in the context of economic liberalization. Dissertation written for the degree of Doctor of Philosophy. T.: 2023. 29 p.

<sup>4</sup> Igoshina L.L. Investitsii. Uch. pos. – M.: «Economist», 2015. – S. 27.

GDP of the Republic of Uzbekistan has also increased year by year, this decline has not had such a strong impact on our country.



**Figure 1. Share of investments attracted to economic sectors in GDP<sup>5</sup>**

There are about 8,000 registered foreign-invested enterprises in Uzbekistan, of which about 5,600 are reported to be operating. These include joint ventures with major international companies (KIA, BAT Industries, Newmont, and Coca Cola). However, overall, Uzbekistan currently attracts very small FDI flows in absolute terms relative to its population and compared to the rest of Central Asia.<sup>6</sup>

Table 1

**The volume of foreign direct investment attracted to the economy of Uzbekistan<sup>7</sup>**

**FOREIGN DIRECT INVESTMENT IN UZBEKISTAN**

YEARS	Cash flow (USD)
2023	\$2.2 billion
2022	\$2.4 billion
2021	\$2.5 billion
2020	\$2.32 billion

As we can see in Table 1, the volume of investments in the Republic of Uzbekistan is steadily increasing. However, due to the pandemic that occurred in 2020, the volume of investments slowed down again.

In 2023, 2.2 billion was allocated from total financing sources for the development of economic and social sectors in the Republic of Uzbekistan, which is 16% less than in the same period last year.

<sup>5</sup> <https://stat.uz>

<sup>6</sup> <https://gazeta.uz>

<sup>7</sup> <https://uz-kursiv-media.turbopages.org>

Table 2

Foreign investments and loans in January-June 2023, trillion soums<sup>8</sup>

<b>BOSHQA XORIJIY INVESTITSIYA VA KREDITLAR</b>	<b>TO‘G‘RIDAN- TO‘G‘RI XORIJIY INVESTITSIYALAR</b>	<b>O‘ZBEKISTON RESPUBLIKASI KAFOLATI OSTIDA XORIJIY KREDITLAR</b>
28.3	23.8	6.9

As can be seen from Table 2, in January-June 2023, 59.0 trillion soums (5.2 billion US dollars in dollar equivalent) or 99.4% of foreign investments and loans in fixed capital were absorbed compared to the same period last year. The share of foreign investments and loans in the total amount of absorbed investments in fixed capital was 42.4%.

52.1 trillion soums were absorbed in the current period due to foreign direct investments and loans, while 6.9 trillion soums of foreign loans were absorbed under the guarantee of the Republic of Uzbekistan.

The share of foreign direct investments and loans and foreign loans under the guarantee of the Republic of Uzbekistan in the total volume of foreign investments and loans was 88.3% and 11.7%, respectively.

In the structure of foreign direct investment and loans, foreign direct investment amounted to 23.8 trillion soums or 45.7% of the total, other investment and unsecured foreign loans amounted to 28.3 trillion soums or 54.3% of the total.

Foreign direct investment is financial and non-financial investments of a foreign investor with a share of at least 10% in the authorized capital.

Also, despite the great work being done in our economy, some problems and shortcomings that negatively affect the investment climate and hinder the creation of a favorable business environment in our economy still remain. We would not be mistaken if we include the following in such problems and shortcomings:

- Ineffective use of investments in some regions;
- Insufficient attention is paid to the location of investments by region;
- High state share in all sectors;
- Immature lending system and high loan interest rates;
- High tax rates;

<sup>8</sup> <https://cbu.uz>



- Inefficient use of received investment resources at the regional and corporate levels of management;
- Low quality of investment management at all levels of management;
- High investment risks due to the lack of determination of property rights, the possibility of non-return of invested funds due to the low financial condition of both investors and investment enterprises;
- Unexpectedly high level of changes in the state's financial and tax policy and changes in it over a very short period of time;
- Underdevelopment of corporate investment transactions (concessions, public-private partnerships);
- Creating illegal inconveniences to investors through additional obligations;
- High level of monopoly and various obstacles to the entry of new entrepreneurs into the markets;
- Unreasonable interference of supervisory authorities in the economic activities of investors;
- Imposing obligations on investors to purchase materials, equipment, their components and other goods that are not of interest in terms of their price and quality;
- Increasing debt burdens in newly established enterprises;
- An unclear system of tax and customs duties, as well as the provision of state guarantees;
- High inflation rate;
- Lack of competent and motivated personnel with sufficient knowledge and skills in sectors and areas of the economy.

The above-mentioned problems and shortcomings are currently considered to be factors that negatively affect the investment climate in our country. By preventing such problems and eliminating shortcomings, we will further improve the investment climate in our country, create a favorable business environment, and most importantly, increase the volume of foreign direct investment entering our country and attract more investors to our country.

In conclusion, from year to year, a lot of reforms and practical work is being carried out in our country for the comprehensive development of the economy. As a result of these reforms and practical work, macroeconomic growth rates in our country are increasing and macroeconomic stability is being ensured. Currently, an active investment policy is being implemented, which is an important condition for economic development. We can see the result of this in the steady growth of the volume of investments coming into our country.

In accordance with the Strategy of Actions in Five Priority Areas of Development of the Republic of Uzbekistan for 2017-2021, large-scale reforms are

being implemented in our country to further strengthen macroeconomic stability and maintain high economic growth rates, increasing its competitiveness. Special attention is paid to actively attracting foreign investment to the country's economy and regions through modernization and rapid development of industry, continuing institutional and structural reforms to reduce the state's participation in the economy, further strengthening the protection of private property rights, comprehensive and balanced socio-economic development of regions, cities and districts, and improving investment. The main goal pursued is, first of all, to develop the economy of our country and ensure economic stability. World experience shows that a country that has pursued an active investment policy and attracted a large number of foreign investments has achieved sustainable growth of its economy.

It is known from world experience that pursuing an investment policy is the most rational and effective way to develop the economy. A country that has pursued an active investment policy has achieved sustainable growth of its economy.

Along with investment, new technologies, advanced experiences, highly qualified specialists enter various sectors and industries, and entrepreneurship develops rapidly. It is obvious that through investment, new enterprises are established in the economy, production expands, various innovative ideas enter the economy, the economy is re-equipped, the welfare of the population in the country increases, jobs are created, and through this, the unemployment rate in the country sharply decreases, the level of urbanization in the country increases, the infrastructure in the regions of the country is developed, enterprises are modernized and diversified in all respects to world standards. Through its impact on the above-mentioned sectors, investment leads to an increase in the income of the population and an increase in the standard of living of the population.

We know that great attention is being paid to investment policy in our country. As a result, the investment attractiveness of our country is increasing year by year, and the volume of investment inflows is increasing significantly. As proof of this, we can cite the changes taking place in each sector.

Based on the above, increasing the volume of investment creates the need to continue reforms aimed at improving the investment climate and creating a favorable business environment in our country, and by consistently continuing these works, achieving high macroeconomic growth rates in our country in a timely manner and achieving the goals of rapid economic development is the most important task facing our country today. Because the development of any sector of the country directly depends on the economy.

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