THEORETICAL BASIS OF THE EFFICIENT USE OF INVESTMENTS IN BUSINESS ENTITIES

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Abstract: Stable socio-economic development of the Republic of Uzbekistan and growth of global competitiveness cannot be achieved without an effective investment policy of the state aimed at increasing the attractiveness of the investment environment of the country, regions, economic sectors and individual enterprises. It is known from world practice that any country cannot develop without attracting foreign investments to its economy. Development of production, renewal of basic funds, elimination of social problems, increase of competitiveness of products produced on the basis of modern techniques and technologies, and strengthening of export potential of the country are ensured through investments. The main factor in the consistent implementation of structural changes in Uzbekistan is the attraction of foreign investments to our economy and the creation of a favorable investment environment for them. In this article, a set of economic, political, regulatory, social and other conditions plays a key role in attracting foreign investments. Such opportunities include natural conditions, including mineral reserves, the level of skill and average labor force, the capacity of the domestic market and the ability to sell goods on the foreign market, the state of the credit system, the level of taxation, production and social infrastructure. development, the state policy towards foreign capital, the establishment of preferential conditions for it, etc.

Key words: Investment, right of continuous use, market, demand, credit, tax, infrastructure, foreign capital, labor force, market capacity, financial support.

Global gross investment is projected to grow by an average of 3.5 percent between 2024 and 2026. This is less than half the average of the previous two decades and below the rate needed to maintain capital buffers, and strong financial

demand for global capital from advanced economies, coupled with rising global interest rates, suggests that significant resources are being diverted to emerging economies. Against this backdrop, global growth is projected to slow to 1.7 percent in 20251. This growth rate, in turn, represents the third weakest point in nearly three decades, reflecting mainly a combination of heightened political and social tensions, deteriorating financial conditions, and a loss of confidence.

The experience of developed countries in the global economy shows that when a period of stable and rising inflation in a country leads to an increase in inflation expectations and requires central banks to restore expectations in line with the target, the pace of tightening in countries with high economic growth can accelerate. This, in turn, can disrupt the cross-border dynamics of the financial sector and spill over to smaller countries, especially those with high levels of debt, limited financial space, and poor access to capital markets.

The need to eliminate these problems, to solve not only practical, but also a number of theoretical issues, requires conducting research aimed at the sustainable development of the socio-economic development of our country by increasing the efficiency of investments in entrepreneurial activity.

Today, the effective use of investments in entrepreneurial activity plays a special role in solving the problems of economic development. By ensuring stable high growth rates in economic sectors, it is aimed to increase the gross domestic product per capita by 1.6 times in the next five years and increase per capita income by 4 thousand US dollars by 2030, and create a basis for entering the ranks of "upper-middle-income countries", and the main strategic goal of the Republic of Uzbekistan is the formation of an open market economy. In this regard, it is important that the

1 Global Economic Prospects. 2023 International Bank for Reconstruction and Development / The World Bank 1818 H Street NW, Washington, DC 20433 Telephone: 202-473-1000; Internet: www.worldbank.org

Decree "On the Development Strategy of New Uzbekistan for 2022-2026"2 sets out the tasks of further improving the investment climate in the country and increasing its attractiveness, based on the tasks of "Increasing the rapid development of the national economy and ensuring high growth rates"3, and taking measures to attract $120 billion in investment, including $70 billion in foreign investment, over the next five years.

The need to pay special attention to the issues of investment processes carried out in enterprises and to study the conceptual foundations of this topic is a direct result of paying special attention to the important place of business entities in the economy. It is very important for the national economy to achieve economic efficiency as a result of investments made. The goal of the activities carried out in the process of managing an economic entity should be to strive to maximize profits, which will ensure the future prospects and development of the enterprise.

Ensuring the efficiency of business entities in the future can be achieved only through active investment decisions, considering it as one of the important directions of constantly increasing the private capital of the enterprise. Therefore, investment processes that play an active role in the development of the enterprise affect the future economic condition of the economic entity.

It is noteworthy that in the conditions of the competitive activity of domestic and foreign enterprises, the financial manager pays special attention to the problems associated with material investments and their solutions. The reason is to thoroughly analyze the financial and economic situation of small businesses and private entrepreneurship entities and, on this basis, determine the right directions and

2 O‘zbekiston Respublikasi Prezidentining “2022- 2026- yillarga mo‘ljallangan Yangi O‘zbekistonning taraqqiyot strategiyasi to‘g‘risida” Farmoni, 28.01.2022 yildagi PF-60-son. https://lex.uz/docs/5841063

3 2022-2026-yillarga mo‘ljallangan yangi O‘zbekistonning taraqqiyot strategiyasi. https://president.uz/uz/pages/view/strategy?menu_id=144

volume of investments in order to achieve the desired effect of sustainable, long-term growth and development.

Real investments include the obligation of the entrepreneur to increase the value of assets on the balance sheet as fixed assets in time and space, replace them when they become materially and morally obsolete, purchase equipment and technology, land, vehicles, buildings, and have a high level of accuracy when assessing design cost estimates. Existing investments are the main factor for the economic growth of the entrepreneur, making it necessary to increase its production capacity through material investments. Positive performance increases the efficiency of the scope of activities of this business entity, that is, the quality of indicators of economic categories such as net income, net profit, cost reduction, return on assets, increase in equity, and minimizing external financing.

Investment decisions play an important role in the further activity and development of business entities. Since they direct financial resources to the production and service sectors in the form of long-term investments, despite the fact that the consequences of their use in business entities are only in the long term, they, in turn, lead to an increase in the competitive position of the enterprise in the market4. This, in turn, means that the income achieved by business entities has an economic, organizational or social nature. Directing investments directly for the current, prospective activities of the enterprise is defined as an advantageous situation compared to its current state.

The above situation is given special attention to business entities in scientific research by economists of foreign countries. The current situation is due to the fact that entrepreneurship occupies an important place in the national economy and is the

4 Van Stel, André, Martin Carree, and Roy Thurik. 2005. The Effect of Entrepreneurial Activity on National Economic Growth. Small Business Economics 24: 311–21.; Bosma, Niels, and Veronique Schutjens. 2007. Patterns of Promising Entrepreneurial Activity in European Regions. Tijdschrift Voor Economische En Sociale Geografie 98: 675–86.; Al-Tit, Ahmad, Anis Omri, and Jalel Euchi. 2019. Critical Success Factors of Small and Medium-Sized Enterprises in Saudi Arabia: Insights from Sustainability Perspective. Administrative Sciences 9: 32.

driving force, that is, the locomotive, of the development of the entire economy. It is used as a source of creating favorable conditions, opportunities for the organization and development of entrepreneurial activity, stimulating its behavior, satisfying the requirements for financial resources, and implementing the path of unification. This allows entrepreneurs to carry out various operations, from subsidies to individual support programs.

Financial assistance provided to business entities in a competitive environment is aimed at supporting socio-financial development in conditions of strong competition, strengthening the economic and environmental stability of the territory in which they operate. Financial resources of operational programs of established savings funds are a necessary source of external financing for business entities.

Financial institutions' funds allow supporting the investment activities of business entities. Therefore, today it is advisable to improve management based on the scientific analysis of the content and essence of investment, bringing the activity into a single system.

In the economic literature on the topic of the current study, there are many definitions of investment by the authors. For example, Manikowski and Tarapatas, citing world literature, emphasize that it is necessary to study investments as two stages: material goods and financial approach - that is, money movement5. The reason is that both cases are important criteria in the formation of quantitative and qualitative indicators of business entities. Until the end of the 1980s, in economic literature, the goal of investment was understood as "an organized economic activity aimed at creating new material assets or qualitatively increasing existing ones, changing the physical and moral obsolescence of assets, leading to their effective use."

5 Manikowski, Arkadiusz, and Zbigniew Tarapata. 2001. Evaluation of Economic Projects. Models and Methods (Ocena Projektów Gospodarczych: Modele i Metody). Warszawa: Difin.

In the 1990s, this concept was expanded to include financial investments. Importantly, Ostrowska emphasized that “investment should be viewed as an investment of free financial resources in the capital and money markets in order to increase one’s own capital”6. The placement of free financial resources by business entities in financial markets and the attraction of capital ensure a state of equilibrium between supply and demand. According to this idea, it is possible to distinguish between tangible (fixed assets, machinery and equipment), financial (sale and purchase of securities) and intangible asset aspects of investment. An important aspect of the idea is that the most important factor in any investment is knowledge. Intangible assets are an indicator of the result of research as an important element of the reporting form.

A popular definition derived from research is that put forward by Hirschleifer, in which the author concludes that “investment is essentially a present sacrifice for future income, the future is a mystery and is better than the present”7. However, Tarczynski questions the definitions of investment, which focus on the need to temporarily abandon consumption for the sake of future income and point to the way in which investment is financed with external capital8. On the other hand, Rówinska argues that “investment is the main factor in increasing capital. It includes economic and financial expenditures intended to increase or replace assets that will have a positive effect on future production”9.

6 Ostrowska, El ˙zbieta. 2002. Risk of Investment Projects (Ryzyko Projektów Inwestycyjnych). Warszawa: PWE.

7 Hirshleifer, Jack. 1965. Investment Decision under Uncertainty: Choice—Theoretic Approaches. The Quarterly Journal of Economics 79: 509–36.

8 **Waldemar Tarczynski** The development of the capital market in Poland **International Journal of Economic Policy in Emerging EconomiesVol. 1, No. 2-3**, July 7, 2008pp 208-218.

9 Rówi ´nska, Małgorzata. 2012. Short and Long Term Investments (Długo- i Krótkoterminowe Inwestycje). In Financial Accounting Taking into Account IFRS (Rachunkowo´s´c Finansowa z Uwzgl˛ednieniem MSSF). Warszawa: PWN, p. 67.

If we focus on this definition, we can include the costs associated with the construction of new production facilities, the expansion of existing ones, and the investment of free cash for future income. According to Rózanski, “investment is understood primarily as the outflow of cash, that is, the process of generating income for the person who undertook the investment (i.e. the investor) or converting cash into other investments (goods)”10. Thus, he emphasizes the need to pay special attention to its material and financial aspects in his definition of investment.

Kamerschen et al., in addition to the criterion of generating income, define investments only in terms of their material, i.e., material, and commodity aspects, and define “the purchase of capital assets as the value and quality changes in the inventory of production enterprises, such as equipment, spare parts, transmission equipment, residential buildings, and other goods that can be used in connection with the production of products”11.

According to Reilly and Brown, “investment is interpreted as a certain amount of monetary obligations for a certain period of time, which allows investors to receive alternative income in the future, taking into account the time of fulfillment of obligations12. It is important that Sierpińska and Jachna, based on the intended purpose of material investments, indicate the exchange of financial resources through the market, modernization, development of production, innovative, strategic, socially beneficial investments13.

10 Rózanski, Jerzy. 2006. Material Investments and Mergers and Acquisitions in the Enterprise (Inwestycje Rzeczowe Oraz Procesy Fuzji i Przej ¸e´c w Przedsi ¸ebiorstwie). In Material and Capital Investments (Inwestycje Rzeczowe i Kapitałowe). Warszawa: Difin, p. 13.

11 Kamerschen, Dawid R., Richard B. McKenzie, and Clark Nardinelli. 1991. Economy (Ekonomia). Gda ´nsk: Fundacja Gospodarcza NSZZ Solidarno´s´c.

12 Reilly, Frank K., and Kieth C. Brown. 2011. Investment Analysis and Portfolio Management. Florence: Cengage Learning, Inc.

13 Sierpi ´nska, Maria, and Tomasz Jachna. 2009. Company Assessment According to Global Standards (Ocena Przedsi¸ebiorstwa Według Standardów Swiatowych) ´ . Warszawa: PWN.

It is precisely in order to create conditions and opportunities for the implementation and further development of economic activity that it is necessary to direct financial resources to capital investments, that is, investments in tangible and intangible assets. In this regard, it is appropriate to emphasize Zurek's approach14. In his opinion, investing in an enterprise should not be considered as a random, short-term activity, but as a continuous, systemized process. Indeed, in our opinion, based on the object, purpose, and situations under analysis, it can be called a process, a system, a change, a transformation-innovation. The result of the investment activity carried out is the achievement of the planned achievements by the enterprise, and from the point of view of the investment goal, they should contribute to increasing the entrepreneur's competitive advantage in the market or prevent the loss of the current market position.

The authors paid attention to the combination of the result of investment activities with efficiency. Efficiency is the result of entrepreneurial activity associated with increasing the volume of profit and income from the manufactured product, reducing the cost of production, and reducing it to a minimum. The positive aspect of efficiency reflects the efficiency of production in kind and the economic efficiency in monetary form.

The opinions of local scientists on this issue are important. In particular, D. Gozibekov “Investments are generally made during the period of conversion into capital in order to maintain the current value of capital and (or) increase the reserves of this value. Therefore, they are not consumed during this period and are attached to specific objects and processes for a certain period, are occupied in them, and are

14 Zurek, Janusz. 2003. The Essence of Investments and Investment Decisions and Their Role in the Development ˙ of Enterprises. In Economics and Management of Enterprise Development (Ekonomika i Kierowanie Rozwojem Przedsi¸ebiorstwa). Edited by Janusz Zurek. Gda ´nsk: Fundacja Rozwoju Uniwersytetu Gda ´nskiego, pp. 364–69.

exposed to specific and non-specific risks”15. An important aspect of the idea is that the effectiveness of any investment activity is associated with risk. That is, it is natural that the net profit indicator may not be obtained due to objective and subjective reasons affecting operational, financial, and investment activities. This can also be observed in the object of research. For example, in practice, it is quite common for the quantity and value of products created in return for investment to decrease.

N. Khaydarov defines “Investment is the spending of financial, material and intellectual assets at the disposal of individuals and legal entities operating on an entrepreneurial basis, regardless of the form of ownership, or the state, in any business object within the framework of the Law, in order to obtain economic and social benefits”16.

A. Ulmasov notes that investments take into account only funds invested in the production sector17. Here, in our opinion, securities and intellectual investments, which are a component of investments, are ignored18. F. Goziev’s definition takes into account all types of investment. However, in his definition, investment is considered only as the direction of all types of property, financial and intellectual assets to objects of entrepreneurial activity. Investment is also understood as the

15 Ғозибеков Д.Г. «Инвестицияларни молиялаштириш муаммолари», иқтисод фанлари доктори илмий даражасини олиш учун ёзилган диссертация. Т., 2002 й., 24 б.

16 Хайдаров Н. «Иқтисодиётни эркинлаштириш шароитида корхоналар инвестицион фаолиятидаги молия-солиқ муносабатларини такомиллаштириш масалалари», иқтисод фанлари доктори илмий даражасини олиш учун ёзилган диссертация автореферати. Т., 2003 й., 14-15 б.

17 А.А. Бозоров. Ўзбекистонда хорижий инвестициялар иштирокидаги корхоналарни солиққа тортиш хусусиятлари. // “Иқтисодиёт ва инновацион технологиялар” илмий электрон журнали. № 5, сентябр-октябр, 2016 йил

18 Н.Ғ. Каримов ва Р.Х. Хожиматов Инвестицияни ташкил этиш ва молиялаштириш. Дарслик. –Т.: ТДИУ, 2011. -801 б.

long-term use of economic resources in order to create profit in the future19, emphasizes N. Kuziyeva.

The Law of the Republic of Uzbekistan “On Investments and Investment Activities”20 defines “investments as tangible and intangible assets and rights to them, including intellectual property rights, invested by an investor in objects of social, entrepreneurial, scientific and other types of activity on the basis of risks in order to obtain a profit.” Based on these considerations, in our opinion, “investment is the legal, contractually agreed allocation of tangible and intangible assets to production or infrastructure facilities with the aim of obtaining a certain income, at a risk, in order to obtain a future profit.” The definition includes the elements of the content and essence of investment and indicates an important element that accompanies investments, namely risk and hazard.

The enterprise can achieve success in the field of investments made in the economic, organizational and social spheres. Investment success in the economic dimension is achieved by increasing net sales, reducing the operating costs of the enterprise, improving the quality of the products offered, as well as minimizing the risks of the economic activity being carried out. In the part of the management and economic mechanism, the enterprise can achieve the ability to improve the quality of processes, ensure flexibility to changes in its environment, which is an important principle of the current and future market, to respond more quickly to the needs of demand and supply.

19 Кузиева Н.Р.Хорижий инвестициялар иштирокидаги корхоналар молия ва кредит механизмини такомиллаштириш йўналишлари. Монография.Т.; “IQTISODMOLIYA”,2006,16-бет.

20 Ўзбекистон Республикасининг “Инвестициялар ва инвестиция фаолияти тўғрисида” янги таҳрирда қабул қилинган қонун. (Ўзбекистон Республикаси қонун ҳужжатлари тўплами, 2019 й., 598-сон, 3-модда; (Qonun hujjatlari ma’lumotlari milliy bazasi, 26.12.2019-y., 03/19/598/4221-son; Qonunchilik ma’lumotlari milliy bazasi, 21.04.2021-y., 03/21/683/0375-son, 07.06.2022-y., 03/22/775/0477-son; 31.12.2022-y., 03/22/812/1145-son; 25.10.2023-y., 03/23/871/0797-son).https://lex.uz/acts/29905

The research work proposed to classify the principles (1, 2 and 3 - the general process of developing principles, 4 to 9 - the development of investment principles, and 10 - cooperation on issues related to investments at the international level) into groups.

One of the main conditions for effective investment activities is to determine the correct investment strategy and tactical conditions for its implementation, taking into account the management system in the conditions of turbulence formed in entrepreneurial activity. Taking into account that in modern conditions the optimal formation of investment resources is an important stage of effective management, the investment activity management system of entrepreneurship, improved using the investment activity management model in entrepreneurship, developed taking into account that it is an important stage of effective management, allows studying the dynamics of the efficiency of investment activities of entrepreneurship, identifying the problems associated with it, and developing investment solutions to increase the efficiency of investment activities.

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