ACADEMIC JOURNAL

Academic Journal of Digital Economics and Stability
Volume 23, Nov-2022

ISSN 2697-2212 Available Online: https://economics.academicjournal.io

Investment activity: economic essence, significance, directions of development

Kuzieva Nargiza Ramazanovna[1]

Abstract

This article analyzes the economic essence and importance of investments in economic development, and also explains the essence of risks in the process of making investment decisions of the country.

***Keywords**: investment, investor, recipient, investment activity, investment decision, investment risk.*

[1] Professor of Tashkent Financial Institute, Doctor of Economics

ISSN 2697-2212 Available Online: https://economics.academicjournal.io

Investment activity is an important element of the economy any level of development. Investing in the development of production and improving the efficiency of the industry play the role of a push to raise the level life and economic growth of the country, region. The investment climate in the country shows its attractiveness for capital, both domestic and foreign. The concept of investment activity is based on the following elements: investment, investor, recipient, criteria for the effectiveness of investment activity, etc. To form an idea of investment decision, it is advisable to generalize the basic concepts.

The definition of "investment decision" is discussed in scientific studies of foreign scientists: Kurelenko T.P., Khrustalev V.V., Gavrilova N.V. , Vlasyuk T., Atamas P.Y. , Petrun J.E.. Determining the term "investment decision" the authors divided into two groups: the first one believes that "investment decision" is a kind of management decisions, the second is asserting that it is a decision with the financial losses issuing as a consequence.

Classification of the investment decisions represented is in scientific studies of: Gavrilova N.V., Cherep A.V. Kurelenko T.P., Khrustalev V.V., Petrun Y.E. Most extensive classification of investment decisions is presented at the manual "Knowing of investments" Cherep A.V.. Later this one has been developed and presented in the work of Kurelenko T.P. and Khrustaleva V.V. "The logic of decision-making investment character".

To describe and to analyze all the existing definitions of "investment decisions" notion forming a classification of investment solutions for industrial enterprises.

The term of "investment decision" is considered as a kind of management decision. The studies revealed a need for close considering and clarifying the meaning of "investment decision". Let us consider the existing definition of "investment decision". Authors Gavrilova N.V. and Vlasyuk T.M. believe that the investment decision represent is a type of management decisions that require significant expenditures and provide changes in social and economic development of the enterprise and its employees' state subsequently investing into real or financial objects. Also Vlasyuk argues that investment decision relates to the formation of the company's assets optimal composition and structure, by choosing the most appropriate options for investing. By the opinion of Kurelenko T.P. and Khrustalev V.V. investment decision is:

1) a solution, with the effect of significant financial costs and changes in the position of the whole enterprise;

2) complex solutions that require collaboration of many people having different skills and different views on investment.

Atamas P.Y. gives the definition of "investment decision" and its characteristics as: the investment decision is a decision about current costs in order to generate income in the future. They have the following characteristics:

- the expenditures are usually preceding the benefits;

- those costs represent disposable and relatively large amounts, and benefits received as a stream of smaller amounts and for quite a long time;

- investment made the invested resources are tied for a long time and may not be used for other purposes or quickly return a profit;

- invested resources will be required to generate revenue during all period of the acquired assets' functioning, herewith rate of return should not be less than the returns of investments in other (current) assets;

- at the end of use the investment object may have some liquidation value.

Taking into account specific features of investment decisions the author formulates the following definition: an investment decision is a strategic decision designed for a long period of time and associated with uncertainty and risk.

Primarily they relate to planning and financing of capital investments in the construction of new facilities, replacement of equipment, automation of production processes, the implementation of social programs, etc. Petrunya Y.E. gives the following definition: the investment decision is a decision associated with investing into assets in a certain period of time to obtain a benefit in the future.

Foreign scientists believe that the "investment decision" is this one regarding the options for the use of company's assets, such as the introduction of new products. Proceeding from the basic characteristics concept of "investment decision" suggest the following definition:

Thus, the essence of the concept of investment decision taken at the implementation stage of the project is not disclosed. The main stage represents the project implementation determined by the return of the investment project. That is why it is important to give the definition of "investment decision" on the implementation stage of the investment project. The next step of research is to determine the classification of investment decisions.

Most extensive classification of investment decisions has been presented by the author Cherep A.V., and later improved by Kurelenko T.P. and Khrustaleva V.V. at "The logic of decision-making investment character" being formulated as follows:

1) the decision for implementation forced (compulsory) investments, i.e. which are necessary for normal functioning of the company and continuation of its activities:

- decision aimed to reduce the impact on the environment;
- decisions aimed at improving the working conditions and compliance with safety rules.

2) the decision, which aim is to ensure the reduction of costs:

- decisions regarding the improvement of used technologies;
- decisions aimed at improving the organization of labor and production;
- solutions to improve the quality of products and services.

3) The decision aimed at enlarging and modernizing the enterprise:

- investment decisions of new construction (construction of facilities that will have legal status);
- solutions whose aim is to improve the enterprise (creating objects investing in new areas);
- decisions regarding the reconstruction of the company (carrying the construction works on existing areas of partial replacement of equipment and facilities);
- decision on technical upgrading (replacing and upgrading equipment and facilities).

4) the decision regarding the purchase of financial assets:

- decisions aimed at forming strategic alliances (syndicates, consortiums, etc.);
- decisions about merger of other enterprises;

- decisions regarding the use of complex financial instruments in transactions with fixed capital.

5) the decision on expansion of existing and developing of new markets.

6) the decision concerning the acquisition of intangible assets.

Tactical investment decisions usually operate small sums of money and do not involve drastic changes in the enterprise. In-depth analysis of real investment objects at the same time tends to be low.
Strategic investment decisions operate large sums of money and can cause significant changes in the enterprise. All these changes are calling for radical reconstruction and provide the enterprise restructuring

Real investments are divided into three main areas: business investment in fixed capital, housing and changes in inventories (investments in material assets). Investments have the following essential features: in all cases, the purpose of the investment – receiving certain benefits (profit, income, economic benefits, another useful effect); one who invests, ready for these benefits, abandon the current consumption of certain resources; as benefits expected to obtain in the future, the investment process takes place in conditions of risk and uncertainty.

Thus, the adoption and implementation of investment decisions becomes a strategic moment, as these decisions become a special character for the investor: after making the investment, i.e., investment of resources in the assets of the company, they are connected and you can't easily return a profit, he changed the species nested in the assets of the enterprise financial and other resources.

Solidity of cost means their distinctive long-term involvement in the production process of distraction on a long term large amounts of all kinds of resources;

this investment should be profitable throughout the entire period of operation involved in the economic activities of the assets, and the investor is entitled to expect rate of return that would be comparable to the yield he would have received by investing these funds in other (alternative) investment areas;

investment decisions are strategic decisions of the type that determine, in many cases, future recurrent costs of the enterprise (it is clear that the acquisition of a particular type of equipment is put forward corresponding requirements used in the production of raw materials, materials, workforce, etc.);

investment decisions objectively connected with uncertainty and risk, making it possible to select inefficient capital investment plan.

To achieve the desired results, minimize uncertainty and risks, managers must take into account all the factors that affect the final adoption of this investment decision.

Methodological basis of research are principles of systemic analysis in order to reflect the nature, the elements and causal relations of the phenomena and systems. In the process of the dissertation research were widely used such methods of scientific knowledge, as the analytical, economic and statistical, as well as methods of economic-mathematical modeling.

The individual listed in the table risks to consider in more detail:

1. Two main types of investment risk stand out depending on the application object of investment activity is the risk of financial investment (risks on securities market) and the real investment risk (risks associated with the implementation of projects, construction risks).

The risk of financial investment – the probability of inefficiency or insufficient efficiency of investment operations at the time of the transaction, due to the inability to forecast future prices (for financial instruments (assets) and future dividends) by investing in financial instruments (assets) involving the acquisition of rights to participate in management of the Corporation and debt rights in the state securities and corporate securities, Bank deposits (shares, bonds, promissory notes and other securities and instruments), etc. in the stock and money markets.

This risk is associated with ill-conceived selection of financial investment instruments, financial difficulties or bankruptcy of individual issuers, unanticipated changes of conditions of investment, direct deception of investors, etc. The risk of real investment – is the probability of inefficiency or insufficient efficiency of investment projects at the beginning of their implementation, due to the peculiarities of life cycle, type, geographical location and characteristics of the customer, the subcontractors, the necessary raw materials and component parts, etc., the inability to forecast prices and volumes in the future (for financial instruments (assets) and future dividends) by investing in tangible and intangible assets, as a rule, directly involved in the production process (in the creation and reproduction of fixed assets, including land plots with long-term amortization; working capital investment in inventories, securities and instruments, etc.).

The risk of real investment is associated with a failed location determination of the object under construction, disruptions in the supply of construction materials and equipment, substantial price increases for Investment goods, the selection of unqualified or unscrupulous contractor and other factors, delaying the commissioning of the object of investment or reducing the income (profit) in the process of its operation.

2. Forms of ownership on investment resources risks are subdivided into risks of public, private, foreign and joint investment. The risks of public investment – the probability of investment losses (negative changes in the value of assets), while investments of assets made by Federal and local authorities and management in the form of means of budgets of all levels, extra-budgetary funds and borrowed funds, as well as state enterprises and organizations in the form of equity and debt. The risks of private investment – the probability of investment losses (negative changes in the value of assets) the investment of funds by individuals and enterprises, non-state forms of ownership, especially collective.

Risks of foreign investing – the probability of investment losses (negative changes in the value of assets) in investment by foreign citizens, legal persons and States. Risks of joint investment – the probability of investment losses the investment of funds by the subjects of this and foreign countries.

3. The nature of participation in investment allocate the risks of direct and indirect investments. Risks of direct investment – the probability of investment losses as a result of inefficiency or lack of effectiveness of the investment object and (or) irrational investment in the

case when the choice of object of investment is done directly by the investor. Such investments typically include real investment in the material object.

Mainly direct investment carried out prepared to investors with sufficient information about the investment object and familiar with the mechanisms and organizational forms of investment. Risks of indirect investments, that is, the probability of investment losses due to bad investments or lack of income when investing, characterized by the presence of the intermediary investment Fund or a financial intermediary.

This probability is usually associated with an incorrect rating or a bad choice of the investor or investment Fund for investments. Such investments typically include portfolio investments. Not all investors have adequate skills for the effective selection of investment facilities and its subsequent management. In this case, they acquire securities issued by investment or other financial intermediaries who place accumulated thus investment funds in the most effective from their point of view, the objects of investment, participate in the management of, and the proceeds are distributed among the certificate holders.

4. Organizational forms, all the risks are subdivided into risks of investment programmes and projects and risks of the investment portfolio. Risks of investment programmes and projects – the probability of ineffectiveness or lack of effectiveness, including social investment programmes and projects at the beginning of their implementation, due to the peculiarities of their life cycle, type, geographical location and characteristics of the customer, subcontractors; supplying necessary raw materials and component parts, etc., the impossibility of predicting future prices, sales volumes, the social impact in the future.

The risk of the investment project is divided into types depending on the ways of financing, the range and variety of products, competitive strategy, etc. the risk of the economic entity that implements the investment project, and the risk of the investment projects themselves are to a large extent manageable. Risks of the investment portfolio – the probability of reducing the quality investment portfolio at the time of its formation, due to the inability to forecast future prices by investing in financial instruments (assets) in the equity and money markets.

References:

Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "Strategy of actions on five priority areas of development of the Republic of Uzbekistan for 2017-2021".

Law of the Republic of Uzbekistan No. ZRU-604 of February 17, 2020 "On Special Economic Zones".

3. Mirziyoev Sh.M. "Critical analysis, strict discipline and personal responsibility should be the daily rule of every leader." - Tashkent .: Xalq so'zi newspaper, January 15, 2017.

4. Decree of the President of the Republic of Uzbekistan dated January 12, 2017 No PF-4931 "On the establishment of free economic zones" Urgut "," Gijduvon "," Kokand "and" Hazarasp ".

5. Kuzieva, N. and others. (2020). Efficiency of free economic zones in Uzbekistan through taxes ways of supply. International Journal of Advanced Science and Technology. Vol. 29, №. 7, (2020), pp. 7861-7873.

6. Kuzieva, N. and others. (2020). Business processes in the insurance system and their features. International Journal of Advanced Science and Technology. Vol. 29, №. 7, (2020), pp. 7908-7913.

7. Kuzieva, N. and others. (2020). Overview of tax administration and tax revenue in Denmark, Norway, Sweden and Uzbekistan. Solid State Technology Volume: 63. Issue: 4, (2020), pp. 390-409.

8. Kuzieva, N. and others. (2020). Use of electronic commerce platforms in order to increase the competitiveness of insurance companies. Solid State Technology Volume: 63. Issue: 4, (2020), pp. 663-669.

9. Kuzieva, N. and others. (2020). Analysis of free economic zones in the Republic of Uzbekistan: development, functioning and existing tax regime. Solid State Technology Volume: 63. Issue: 4, (2020), pp. 574-582.

10. Kuzieva, N. and others. (2020). The oretical aspects of the emergence of free economic zones and their role in the economy of the state. Solid State Technology Volume: 63. Issue: 4, (2020), pp. 673.