

## The Role of Foreign Investments in the Country's Economy

**Jumakulov Ozodbek**<sup>1</sup>

### ***Abstract***

*The focus of the research work is an issue affecting the importance of foreign investment in the country's economy. This article will define the role of foreign investment in the global economy, as well as describe their concept and classification.*

**Keywords:** *investment, economy, direct investment, portfolio investment, current flows, accumulated investment.*

---

<sup>1</sup>Assistant of the "Investments and Innovations" department Samarkand Institute of Economics and Service

Foreign investments are of great importance in the economic development of our country, including the development of the country. Attracting foreign capital is an objective need.

Foreign investments are conditioned by the international division of labor, the development of international relations, and the integration of the national economy into the world economy.

Attracting foreign capital to maintain and increase the volume of production in the future, eliminate the lack of funds for the purchase of new technology and equipment, reduce unemployment in the country, improve the quality of products, their competitiveness, as well as other acute economic problems sort out.

These problems are very urgent and require the search for ways to stimulate the attraction of foreign capital to the real economy.

### **The role of foreign investments, their understanding and classification**

Any national economy is connected to the outside world to some extent. The forms of these relations are very diverse and can have different levels of intensity: from simple commodity exchange with a limited range of goods to multifaceted exchange of not only goods, but also capital and active joint economic activity. Depending on this diversity and degree of intensity, each economy can be classified as open, limited open and closed from the outside world. At the same time, practice has shown that the degree of openness of a country's economy directly depends on the degree of freedom of business activity within this country.

The international movement of long-term capital is being improved in various forms with the participation of business entities of many foreign countries. The intensity of capital flows between the countries and regions of the world leads to an increase in the volume of foreign investments in the economy of almost all countries.

Foreign investments are all types of property and non-property values invested by foreign investors in business and other activities for the purpose of earning income.

Separate definitions combine investments only with the tasks of increasing capital or achieving current income (profit). Although this objective is crucial in a market economy, investments can also have other financial and non-economic objectives.

Is it possible to define the concepts of "investment" and "capital investment"? In this case, investments mean capital investments in the renewal of fixed assets - production and non-production types. At the same time, investments can be formed in the growth of working capital, various economic instruments and specific types of intangible assets. It follows that capital investment is a narrower concept and can be considered only as one of the forms of investment, but not as something similar.

In various concepts of investment, it is noted that they are monetary investments. This explanation of this category is also unacceptable. Capital investments can be made not only in cash, but also in other forms - movable and immovable property (capital goods), various economic instruments (primarily securities), intangible assets, etc.

Foreign investors can be individuals, legal entities, as well as partnerships. In addition, states and international organizations can invest based on concluded interstate agreements.

Main forms of foreign deposits:

- establishing a new business and investing in its authorized capital;

- purchase of securities;
- Acquisition of other property and non-property rights, including intellectual property rights.

Definitions and lists of foreign investments offered in regulatory documents of different countries are often not exhaustive, but approximate, because the concept of investment includes all property values that a foreign investor can invest in the economy of the host country. Takes

The list of foreign investment objects includes:

- movable and immovable property (houses, equipment and other material assets) and rights and funds related to them;
- securities (shares, bonds, promissory notes, checks, certificates, etc.);
- property rights;
- intellectual property right;
- the right to carry out business activities based on the law.

The reasons that encourage investors to invest their spare money are very diverse. The economic conditions and conditions under which they start their activities are more diverse. This diversity determines the different types and forms of investment availability.

In relation to certain countries, it is necessary to distinguish between foreign investments, which are foreign investments of national economic entities, and foreign investments, that is, investments made by foreign investors in the economy of a certain country.

They take into account current investments made during the year and accumulated investments - the total amount of foreign (foreign) investments accumulated during a certain period of time. New flows are added to the volume of accumulated investments every year.

There is also a difference between public and individual foreign investment. Public investments are loans and credits that a country or an association of countries (for example, the OECD) gives to other countries. These also include state ownership of joint venture capital, as well as investments by state-owned enterprises.

Individual refers to contributions of one country that create special economic indicators (individual enterprises, banks, individual citizens, etc.) in the economy of another country. Today's investment relations are so complex and diverse that often the flow of public and private investments is closely related to each other.

According to the level of control over foreign enterprises, investments are divided into direct and portfolio.

Direct investment is an investment that provides the investor with effective control over a foreign commercial organization. The International Monetary Fund (IMF) gives the following definition: "Direct investment is an investment made to participate in the profits of an enterprise operating in a foreign territory, and the purpose of the investor is direct participation in the management of this enterprise is the right to do business."

The main methods of direct investment:

- establishing a branch, representative office or enterprise abroad that is fully owned by the investor;

- purchase or appropriation of foreign enterprises;
- subsidizing the activities of foreign branches, including at the expense of corporate internal loans and loans to subsidiaries;
- purchase of the exclusive right to use natural resources, land and other property rights;
- purchase of shares of foreign companies with the right to control the enterprise's activities (majority participation);
- Profit reinvestment.

In different countries, the percentage of shares that give the right to control the company's activities is determined differently. According to IMF documents, direct contributions include participation in capital, which is at least 25% of the authorized capital, in Canada, Australia and New Zealand - at least 50%, in the countries of the European Union - 20- 25% , in the USA - 10%.

Reinvestment is an investment in commercial activities received in the territory of the host country, paid from the income or profit of the foreign investor.

The main role of direct investment for recipient countries is that with them not only finance (in tangible and intangible form), but also innovation, advanced methods of organization of production, labor and management. will come.

Portfolio investments - investments by foreign investors in the purchase of shares of companies or shares in the authorized capital, which do not give the right to control the management and influence the business activities of the organization; as well as in other securities of the receiving countries - bonds, government debt obligations, etc.

Summarizing the above, we can conclude that foreign investments are all types of property and non-property values placed by foreign investors on commercial and other activity objects for the purpose of earning income. According to the degree of control over foreign companies, investments are divided into direct and portfolio. State and individual foreign (foreign) investments are also distinguished. Divide current investment flows, that is, capital investments made in one year, and accumulated investments - the total amount of foreign (foreign) investments accumulated in a certain period of time.

## REFERENCE

1. Khachatryan, A. A. Inostrannye investitsii: uchebno-metodicheskoe posobie / A. A. Khachaturian. — M.: GU VShE, 2013. — 56p. Sergeev, I. V. Investitsii: uchebnik i praktikum / I. V.
2. Anvarovich, N. E. (2022). Improving the Risk Management System in a Commercial Bank as a Condition for Minimizing Credit Risks. *EUROPEAN JOURNAL OF BUSINESS STARTUPS AND OPEN SOCIETY*, 2(2), 43-45.
3. Anvarovich, N. E. (2022). Transformation of the Banking Sector in Uzbekistan in the Context of Covid-19 Corona virus Pandemia. *Academic Journal of Digital Economics and Stability*, 13, 76-85.
4. Sergeev, I. I. Veretennikova, V. V. Shekhovtsov. — M.: Yurayt, 2013.- 320 p. Nikolaeva, I. N. Investitsii: uchebnik / I. N.

5. Anvarovich, N. E. (2021). Ways to Strengthen the Resource Base of Commercial Banks. *BARQARORLIK VA YETAKCHI TADQIQOTLAR ONLAYN ILMIY JURNALI*, 1(6), 689-694.
6. Nikolaeva. — M.: INFRA-M, 2013.-251 p. Zubchenko, L. A. Inostrannye investitsii: uchebnik / L. A.
7. Anvarovich, N. E. (2022). Problems of Growth in Investment Activity of Banks of Uzbekistan. *EUROPEAN JOURNAL OF INNOVATION IN NONFORMAL EDUCATION*, 2(2), 349-352.
8. Zubchenko. — M.: Knigodel, 2006.-160 p.
9. Anvarovich, N. E. (2022). Bank Cards and Ways to Improve Their Services. *International Journal on Orange Technologies*, 4(3), 11-15.