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THE ESSENCE OF INVESTMENTS, THEIR ROLE AND IMPORTANCE IN THE ECONOMY

Alimova Dilafruz Tokhir kizi
Doctoral student of Gulistan state university

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Abstract

This article analyzes the essence of investments within the economic system, their impact on national economic development, and their role in ensuring sustainable growth. Investments are examined as a key factor in expanding national production, creating new jobs, accelerating technological modernization, and fostering a competitive economic environment. The paper also explores the factors regulating investment processes, particularly legal, institutional, and financial mechanisms, and highlights effective ways to attract foreign investment. Using Uzbekistan's economy as an example, the study identifies the main directions of investment policy, existing challenges, and recommendations for their solution.

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INTRODUCTION

In a market economy, investments are one of the most important factors in strengthening the country's economic potential and ensuring sustainable growth. The economic development of any state directly depends, first of all, on its investment activity, the volume of capital investments and their efficiency. Investments play a decisive role in the modernization of the production process, the introduction of innovative technologies, the creation of new jobs and the increase in export potential.

In recent years, Uzbekistan has been implementing systematic measures to accelerate economic reforms, create a favorable investment climate and attract foreign capital. In particular, as a result of legal and institutional reforms, guarantees for investors have been expanded, and the inflow of foreign direct investment to priority sectors of the economy is increasing. At the same time, uncertainties in the global economic environment, increased competition and limited financial resources require effective management of investment activities.

LITERATURE REVIEW

Investments have been studied in depth by many scholars as the main driving force of economic development. Among the economists who first systematically analyzed investments from the point of view of economic theory, one can cite J. M. Keynes, K. Marx, A. Smith and other representatives of the classical school. J. M. Keynes defined investments as a central factor of economic growth and substantiated their interrelation with consumption, savings and interest rates. At the same time, representatives of the neoclassical school interpreted investments as inextricably linked with the efficiency of capital and technological progress.

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In modern research, investments are considered as a strategic tool that ensures the stability of economic growth. In particular, scholars such as P. Samuelson, R. Dornbush and S. Fisher have highlighted the role of investment policy in maintaining macroeconomic stability. In their opinion, foreign direct investment (FDI) plays a significant role in expanding production capacities, introducing new technologies, and developing human capital.

Reports published by international organizations - the World Bank, the International Monetary Fund (IMF), and the United Nations Industrial Development Organization (UNIDO) - also assess investments as a key factor in increasing the competitiveness of countries, modernizing infrastructure, and integrating them into global value chains.

Studies conducted by Uzbek scientists (A. Khodiev, Sh. Tashmatov, B. Ergashev, and others) cover the importance of investment policy in the national economy, areas for improving the investment climate by the state, and the economic efficiency of regional investment projects. Their work shows that rational investment targeting not only strengthens the country's economic stability, but also serves as a key source of innovative development.

METHODS

This study aims to determine the place and role of investments in the economy, as well as to assess the effectiveness of investment processes in the case of Uzbekistan. In the process of preparing the article, scientific analysis, statistical, comparative and economic-mathematical methods were used.

RESULTS AND DISCUSSION

Today, every economically literate person thinks about the correct use of financial resources, ways to increase them. It is impossible to imagine a state that can function without investment activities. Currently, almost everyone is engaged in investment activities. Our education, our efforts to learn something is also an investment, an investment in the future, in the future to get a good salary, work well, live well.

In addition, investments are of incomparable importance for the economy. Changes in investments directly affect the production of social benefits, employment, structural changes in the economy, and the development of industries and sectors. Since the savings of the enterprise are used as investments, their size also affects the current and future expenses of the enterprise.

Before investing in a sector or industry, it is necessary to pay attention to the correct selection of the investment object. This is because investing in morally obsolete objects may not bring economic benefits, but rather lead to losses, “freezing” your funds, and as a result, a reduction in production. The effective use of investments is important for the economy: economic growth cannot be achieved without achieving a certain level of efficiency.

Before talking about investment activities, let's dwell on the origin of the word investment. The word “investment” comes from the Latin word and means “to put on, to dress up”. Later, the Latin word invest began to be used in the sense of investing in something, since it was used in the field of economics.

The first investments appeared in France. The English economist John Lowe (1671-1729) was a British economist who advocated the development of bank lending and the implementation of state economic policy through banks. Despite his diverse ideas, John Lowe became famous not in his homeland, but in France. After the death of Louis XIV in 1716, Philip of Orleans summoned John Lowe to Paris and founded the first bank engaged in lending. From that time on, with the permission of the government, John Lowe began to invest in industry and trade at low interest rates[1].

From a financial point of view, investment is the placement of funds in business objects in order to receive income in the future.

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Foreign economists and scientists such as W. Sharp, K. Eklund, J.Y. Campbell, R. McConnell, W. Stanley, L. Brew, etc. have expressed different opinions on the essence of investment. In particular, the Nobel Prize laureate in economics (1990) W. Sharp stated: “Investment is the abandonment of a certain value in the present in order to receive a (possibly indefinite) value in the future”[2].

The meaning of the term “investment” is interpreted as follows: “It is parting with money today in order to receive a profit in the future” and “Funds can be invested in either real or financial assets”. They think that the meaning of the term investment is to give up money today in order to get a profit in the future[3]. According to the Swedish scientist and economist Klas Eklund: "Investment is something that is postponed until tomorrow in order to have more consumption in the future. Part of it is consumer goods that are left in reserve without being used now, and the other part is resources directed to expanding production[4].

J.M. Keynes defines investment as follows: “Investment is the unconsumed part of the income received as a result of current production activities, which represents the current increase in the value of capital assets”[5]. Here, the idea is more about saving than investment. After all, part of the income not used for consumption is a savings, and a savings is not always an investment. In order to turn a savings into an investment, it is necessary to direct funds to some entrepreneurial activity, and as a result, these funds must bring income to their owner.

Uzbek economists such as A. Vakhabov, Sh. Khadzhibakiyev, N. Muminov, D. G‘ozibekov and D. Tojiboyeva conducted scientific research on the economic content of investments.

Another economist, Sh. Shodmonov, defines investment as “the monetary expression of expenditures made to restore and increase fixed and working capital, and to expand production capacities”[7]. In addition, the terms used alongside the term investment are “nominal investment – investments in the form of money”, “investment resources that can be purchased with the money invested as an investment – real investments”, practical actions to implement investments – investment activity”[8], and the person making the investments is referred to as an investor.

As an economic category, investments can be classified as follows:

- placement of capital in business objects in order to increase the primary capital;
- economic relations that arise between participants in investment activities in the process of implementing investment projects.

Investments are also made in the form of capital investments and include expenses for new construction, expansion, reconstruction and technical re-equipment of existing enterprises, as well as the purchase of equipment, inventory, and project products. Economic sciences and practice emphasize that the terms “investment” and “capital investment” are not the same concept, that is, they are not synonymous words. Investments are a broad and meaningful concept in relation to capital investment. In Western literature, when discussing investments, the main focus is on the stock market, since in developed countries investments are mainly carried out using securities”[9].

Based on the opinions of these scholars, investments can be defined as “cash, property rights, fixed assets, intangible assets and securities directed by legal entities or individuals to various sectors of the economy in order to generate income, based on certain risks”.

Article 3 of the Law of the Republic of Uzbekistan No. OPX-598 “On Investments and Investment Activities”, adopted on December 25, 2019, states that “investments are tangible and intangible assets invested by an investor in the objects of the social sphere, entrepreneurship, scientific and other types of activity on the basis of risks and rights to them, including rights to intellectual property objects, as well as reinvestments, which include: may receive:

funds, including cash (including foreign currency), target bank deposits, shares, stakes, stocks, bonds,

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bills and other securities;

movable and immovable property (buildings, structures, equipment, machinery and other material assets);

intellectual property rights, including technical, technological, commercial and other knowledge, formalized in the form of technical documents, skills and production experience, patented or unpatented (know-how), necessary for the organization of one or another type of production, as well as other valuables not prohibited by the legislation of the Republic of Uzbekistan"[10] - is legally defined as.

In addition, the amount of investment is directly related to the economic growth factor. Gross investment is the total financial investment aimed at directing funds to production, construction and other industrial sectors, as well as increasing inventory over a certain period of time. The amount of net investment is equal to the amount of total investment minus depreciation allowances.

The dynamics of net investment indicators is an indicator that shows the state of the country's economy. If gross investment exceeds depreciation allowances, that is, if the amount of net investment has a positive indicator, the country the economy is in a "growing working condition"[11].

When gross investment equals depreciation, that is, net investment is 0, this indicates that there is no economic growth.

If gross investment is less than depreciation, net investment is negative. This indicates a decrease in production potential and an economic recession.

CONCLUSION

The above analysis shows that investments are the foundation of the country's economic development, one of the most important factors ensuring sustainable economic growth. They not only expand production volumes, but also accelerate technological modernization, create new jobs and increase social well-being. Investments also play a strategic role in strengthening the competitiveness of the national economy, increasing export potential and deepening international economic integration.

The study revealed that although significant results have been achieved in the development of investment activity in the economy of Uzbekistan, there are still some problems. In particular, the insufficient development of investment infrastructure in some regions, limited sources of financing for investment projects, as well as a shortage of qualified specialists were noted as factors reducing investment efficiency.

Therefore, it is necessary to improve investment policy in the country, further strengthen the legal framework, reduce bureaucratic obstacles, and create more favorable conditions for the private sector and foreign investors. For this, the development of financial markets and the introduction of modern investment management mechanisms based on international experience are of great importance. In conclusion, investments are the driving force behind every part of the economy, and through their rational management and effective direction, it is possible to ensure the country's sustainable economic growth, social well-being, and international competitiveness.

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