

# THE ROLE OF INVESTMENT IN THE COUNTRY AND ITS THEORETICAL FUNDAMENTALS

Guzal G. Umarova

**Abstract**— This article analyzes the issues of creating a favorable investment climate for the strategic development of the textile industry in Uzbekistan. As an important regulatory support for attracting foreign investment, proposals were made on the activities of the Association of Textile Industry, the image of the industry, the formation of a favorable and prosperous investment climate, the promotion and improvement of investment activities.

**Index Terms**— textile and light industry, convenient and comfortable investment environment, foreign investment, product, potential, joint venture, product production capacity, high added value, processing, modernization, diversification.

## 1 INTRODUCTION

THE systemic industrial policy of our state is aimed at diversifying and modernizing the national economy and increasing its competitiveness, supporting the development of leading industries, actively attracting investment in them, including increasing export potential by deepening the processing of local raw materials. In his speech, President Mirziyoyev said: "We will achieve rapid development of our economy only by actively attracting investment and launching new production facilities. Positive results in the economy will allow us to systematically solve the problems in the social sphere." The indicators for the implementation of investment projects in this industry, as well as the level of production of industrial products and consumer goods are high. During the 29 years of independence, the role of light industry in the economy of Uzbekistan has grown significantly, its share in GDP was 3.8%, industrial production - 26.2%, non-food production - more than 44%. The total volume of production of high value-added products averaged 45%. At the beginning of 2017, the total volume of investments in the textile and light industry amounted to \$ 2.5 billion. dollars.

## 2 LITERATURE REVIEW

The first attempts to understand and reveal the essence of investments and their role in the development of the economy are associated with the names of Aristotle and Plato, other ancient researchers. Their approaches to the business activity of people and investments were linked to the functions of money in society, the goals and methods of accumulating and using it.

In the XVII - XIX centuries. a number of economists have formulated scientific and practical provisions on the

essence and role of investment activity. Huck, mercantilists, W. Stafford, J. Locke, A. de Monkretn, T. Mann and others for the first time substantiated the need for state intervention in the formation of investment resources and the inflow of foreign investment into the country. According to their scientific views, in order to ensure the flow of money, the state should pursue an active protectionist policy in the field of international trade, achieving a positive balance of its trade balance. The growth of monetary savings with a simultaneous decrease in their value was, in their opinion, the main factor in stimulating the investment activity of entrepreneurs and direct state investments in the most significant sectors of the economy [2].

A special role in the investment essence of marginalists is assigned to the study of pricing problems for investment resources and goods, the impact of prices on the process of capital accumulation and its investment. Thanks to the use of a fundamentally new methodology of investment analysis, marginalists have formulated the fundamental principles for the formation of microeconomic investment models and investment mechanisms.

According to the concept of physiocrats, agricultural production was the only source of the formation of a positive value of the amount of profit, part of which was used as an investment resource. Accordingly, they considered investing in the development of the agricultural sector of the economy as a priority investment policy of the state and individual entrepreneurs. Physiocrats were the first to lay the foundations for dividing the invested capital into fixed and circulating (considering it as "advances" of different types). In addition, in accordance with their investment theory, for the effective development of the agricultural sector of the economy, which forms the bulk of investment resources, the state should have established a single tax on land use (regardless of rent). And finally, the representatives of this school insisted on the refusal of the state's implementation

• Guzal G. Umarova, Tashkent Institute of Textile and Light Industry Associate Professor of "Corporate Governance" umarova.guzal79@mail.ru

of protectionist trade and investment policies [1].

For the first time, economists of classical political economy clearly delineated the concept of money and capital, determined the role of capital accumulation in the formation of investment resources, and considered the role of credit money in the development of investment.[3]

A significant contribution to the development of the theory of investment was made by the outstanding representative of this school A. Smith. He became the first scientist-economist who opposed state interference in entrepreneurship, for the free development of market relations, considered private property to be the material basis of entrepreneurial activity [5].

The essential features of the investment model of society, formulated by representatives of classical political economy, were taken as a basis by all its further researchers and had a great influence on the subsequent development of the concept of investment and entrepreneurship. A positive contribution to the theory of entrepreneurship and investment was made by the Marxist school, which proposed provisions on the role of innovative investments in the economic progress of society and overcoming the negative impact of a number of economic factors. In accordance with the conclusions of the Marxist doctrine, the large-scale implementation of innovative investments, on the one hand, allows to a certain extent to overcome the limited factors of production, and on the other hand, to significantly reduce the effect of the law of decreasing the return on invested capital.[4]

Another approach to the study of the investment process by A. Marshall, who analyzes the investment process as part of a more general problem - the mechanism of the capital market functioning. The capital market is represented by the interaction of supply and demand, taking into account the factors that influence the formation of each of these elements. Moreover, the subjects of demand and supply of capital are different persons with different motivations for their activities. A. Marshall explains this position by the presence of risk for the lender. "The fact is," he writes, "that whoever lends capital for business purposes should charge a higher percentage for it as insurance against a possible flaw or defect in the borrower's personal character or abilities" [2]. Thus, he was the first to declare the influence of ownership on used savings on the value of the bank interest rate, which acts as the supply price in the capital market and can be applied in entrepreneurship.

The second element of the capital market - demand - is regulated by the rate of return on capital invested by the entrepreneur. The level of this profitability is subjective in A. Marshall's reasoning and depends on the calculation of the businessman: "A prudent businessman will direct capital investments in all areas of production until the external border, or profitability limit, is reached." [2]

Despite the rather vague formulation of this "profit margin" A. Marshall gives a definition of investment

conditions, which consists in comparing costs and benefits. He refers to the investment process itself all the costs of capital that can generate income for its owner in the future. To such capital, he refers to commercial and industrial and money capital. Just like A. Smith, he does not attribute its money form to social capital, but, on the other hand, he does not distinguish between means of production and consumer durables, including them in the composition of social capital. Thus, A. Marshall, more specifically than his predecessors, defines the mechanism for the formation of investment decisions. But in his reasoning there are a number of controversial points. These include the following:

first, there is a lack of clarity in the definition of capital. A. Marshall refers to it as money savings, finished goods in the form of means of production and consumption, productive capital, which is a methodological error;

secondly, the investment mechanism is automatically regulated by the dynamics of prices for finished products, depending on the ratio of supply and demand in the commodity market. This leads to a significant simplification of the image of the processes taking place in reality;

thirdly, the interest on the loaned capital, as well as the use of own capital, is part of the entrepreneur's costs, so there is no reason to consider the formation of the demand price and the supply price of capital as two independent processes [3].

J. Keynes and his followers made a significant contribution to the development of the essence of investment activity. Without denying the principles of market self-regulation in general, they focused on the regulation of the investment process through the active targeted fiscal and credit policy of the state. Keynes believed that one of the conditions for stimulating investment activity was the formation of effective demand, by which he understood its two varieties - consumer and investment. At the same time, he revealed the presence of not only direct, but also inverse influence of the indicators of demand and investment on each other. He showed that the investment behavior of a firm is largely determined by factors such as the level of savings, the level of investment return and the rate of interest in the credit market. At the same time, it is known that J. Keynes envisioned the need for effective government regulation and control of firms' investment behavior.[11]

Keynes' approaches to the investment model of society were significantly developed in the works of his followers, who received the definition of the "neo-Keynesian school", in particular, J. Hicks, R. Harrod, and others. Their conclusions made a significant contribution to the formation of models of investment regulation of macroeconomic equilibrium, the mechanism of manifestation an investment accelerator, the relationship between the level of investment activity and the value of a firm, forms of investment lending, the role of innovative investments in ensuring macroeconomic growth.[12]

Investment processes and mechanisms of their regulation are further studied by monetarists Alan, H. Meltzer, M. Friedman and others, who considered these processes under the prism of the state's monetary policy and monetary circulation in the country.[5]

In our opinion, more accurate is the definition of the investment process, which characterizes it as a set of actions aimed at obtaining for temporary use the savings of the population and legal entities in order to use them through the formation of production fixed capital and working capital to obtain entrepreneurial profit.

### 3 ANALYSIS AND RESULTS

The development of society as a whole and of individual economic entities in particular is based on the expanded reproduction of material values that ensures the growth of national wealth. It is based on investments.

The term "investment" comes from the Latin word "invest", which means "to invest". In a broad sense, investment is an investment of capital for the purpose of its subsequent increase. At the same time, the capital gain should be sufficient to compensate the investor for the refusal to use his own funds for consumption in the current period, to reward him for the risk and compensate for the losses from inflation in the future period.[13]

This concept of investment is adhered to by I.A. Blank, V.V. Bocharov, M.I. Knysh. Close to the above is the definition of investment by the authors of the textbook "Fundamentals of Investing" Lawrence J. Gitman and Michael D. John, who understand investment as a way of investing capital, which should ensure the preservation or increase in the value of capital and / or bring a positive amount of income.

In the regulatory and legislative definition of investments, capital investments are interpreted as investments in fixed assets, including the costs of new construction, expansion, reconstruction and technical re-equipment of existing enterprises, the acquisition of machinery, equipment, tools, inventory, design and survey work and other costs. Investments, in addition to investments in fixed assets, can be made in working capital (real investments) and various financial instruments, for example, stocks, bonds, derivative securities (financial investments). Consequently, investment is a broader concept than investment, which means that their identification is illegal.[14]

The above definitions of investments, given by various authors, mainly contain a description of the methods of capital allocation, they compare and analyze the efficiency of capital allocation in various securities, but the authors do not provide conclusions about the influence of investments on the cost of an enterprise's capital, its development and the methodology for calculating such influence.

Issue of evaluation of textile and clothing industry clustering capabilities in Uzbekistan were studied by Ergashxodjaeva, S.[20], J., Kyvyakin, K. S. [13], Modern methods of production capacity usage management in textile enterprises were investigated by Tursunov B.O. [14;15;16;17;18;19]. Problems of applying of artificial intelligence in the textile industry as factor

of innovative development of the branch were searched by Nuritdin Y. and others [12;21]. Ya.Karrieva, I. Akhmedov, A. Abdilakimov [12]

For methods for control efficiency evaluation of the production capacities application at the textile enterprises and the mechanism for optimal control were dedicated works of Khodiev, B. Y. and others. [9]. The essence and importance of investments in the modern economy reflect the functions they perform. The following investment functions at the macro level can be distinguished:

- the process of simple and extended reproduction of fixed assets, both in the production and non-production spheres;
- the process of providing and replenishment of working capital;
- the flow of capital from one area to another through the purchase and sale of financial assets;
- redistribution of capital between owners by purchasing shares and investing in assets of other enterprises.

Carrying out its functions, investments at the macro level are the basis for:

- implementation of the policy of expanded reproduction;
- accelerating scientific and technological progress, improving quality and ensuring the competitiveness of domestic products;
- restructuring of social production and balanced development of all sectors of the national economy;
- creation of the necessary raw material base for the industry;
- civil construction, development of health care, culture, higher and secondary schools, as well as solutions to other social problems;
- mitigation or solution of the problem of unemployment;
- protection of the natural environment;
- conversion of the military-industrial complex;
- ensuring the defense capability of the state and solving many other problems.

Directing investments to increase the real capital of society (purchase of machinery, equipment, modernization and construction of buildings, engineering structures) contributes to an increase in the production potential of the economy. Investments in production, in new technologies help to survive in a tough competition (both in the domestic and foreign markets), to go one step ahead, to be able to more flexible regulation of prices for their products, etc.[15]

On a macroeconomic scale, current wealth is largely the result of yesterday's investment, and modern investment, in turn, lays the foundations for tomorrow's growth in gross domestic product and, therefore, higher wealth. Thus, the importance of investments cannot be overestimated, since they directly predetermine economic growth. For the country's economy, investments are necessary, first of all, for the stabilization and development of industry.[16]

At the micro level, investments are necessary, first of all, to achieve the following goals: expansion and development of production; prevention of excessive moral and physical wear and tear of fixed assets; increasing the technical level of production; improving the quality and ensuring the competitiveness of the products of a particular enterprise; implementation

of environmental protection measures; purchasing securities and investing in assets of other companies.

Ultimately, investments are necessary to ensure the normal functioning of the enterprise in the future, a stable financial condition and maximize profits.

The functions of investment at the micro level include:

- prevention of excessive moral and physical wear and tear of fixed assets in all areas of activity;
- expansion and development of highly effective areas of activity;
- increasing the technical level of production, which means reducing the cost intensity of products and services provided;
- improving the quality and competitiveness of products;
- replenishment of working capital.

More than 80% of the foreign investment attracted is from South Korea, Switzerland, Singapore, the United Kingdom, Germany, India and Turkey. In the textile industry, the highest growth rate in the value-added production chain of cotton falls on the production of ready-made knitwear and garments. Due to the importance of the textile industry, Uzbekistan is implementing the Program of further development of the textile and garment industry for 2017-2019. According to the program, by 2020, production will increase: cotton fiber - by 2.5 times, finished fabrics - by 2.8 times, silk fabrics - by 2.7 times, non-woven materials - by 1.5 times, knitted fabrics - by 2.7 times. is planned. It is planned to increase the production of garments by 3.2 times, knitwear by 2.1 times, silk production by 2.1 times. If in 2011 the volume of fabric production was 85.63 mln. sq. meters, and by 2020 this figure will reach 459.2 million. sq. meters. The increase is 5.4 times.[23]

As an important regulatory support for attracting foreign investment, the main direction of the work of the Association "Uztextile Industry" to stimulate and improve investment activities should be the formation of the image of the industry and a prosperous investment climate. For the strategic development of the industry, we would like to note that it is expedient for the Association of Textile Industry to hold the following set of measures:

- It is necessary to formulate the basic principles of the policy of attracting the right foreign investment and to develop principles and approaches to encourage investors;
- It is necessary to create a system of insurance of investment risks and legally support the attraction of foreign direct investment, as well as the establishment of tax and customs benefits for investors;
- provide guarantees to foreign investors and provide information on investment activities.[17]

The interest in attracting investments requires the creation of a system of benefits and guarantees, both legally and as defined in the framework of special agreements of the Association "Uztextile Industry" with specific investor companies. In the formation of special investment incentives, it is important to take into account the fulfillment by investors of a number of conditions and restrictions, such as: export, import, employment and share in property. An important aspect is the integration of incentive mechanisms into a single package in accordance with the priorities for the development of individual

sectors of the national economy.[18]

In our opinion, the use of the above-mentioned tools is aimed not only at creating a favorable investment climate, but also the search for more efficient sources of financing, as well as investment activities of the Association "Uzbektextile Industry" aimed at supporting and production of textile and light industry. It also helps to improve key areas of incentives and development. An important aspect is the integration of incentive mechanisms into a single package in accordance with the priorities for the development of individual sectors of the national economy.

The use of the above tools is aimed not only at creating a favorable and prosperous investment climate, but also to seek more efficient sources of financing, as well as support and production of textile and light industry enterprises, maximum use of natural and scientific potential. It also helps to improve key areas of incentives and development.

#### 4 CONCLUSIONS

Analysis of the evolution of scientific views on the The study of the theoretical essence of investments and their role in the development of the enterprise showed that the definitions of investments given by various authors mainly contain a description of the methods of capital allocation, they compare and analyze the efficiency of capital allocation in various securities, but the authors do not provide conclusions on the impact of investments on the cost of capital of an enterprise, its development and the method of calculating such an impact. At the same time, the development of an enterprise is directly related to the success of its investment activities. The considered essence and functions of investments at the macro and micro levels allowed us to conclude about the exceptional importance of investing funds and investment processes for the economy, and primarily for simple and expanded reproduction, structural transformations, maximizing profits and enterprise value.

Directing investments to increase the real capital of society (purchase of machinery, equipment, modernization and construction of buildings, engineering structures) contributes to an increase in the production potential of the economy. Investments in production, in new technologies help to survive in a tough competition (both in the domestic and foreign markets), to go one step ahead, to be able to more flexible regulation of prices for their products, etc.

#### REFERENCES

- [1] Smith, A. Research on the nature and causes of the wealth of peoples / A. Smith.- M.: Eksmo, 2007.- 960 p.
- [2] Marshall, A. Fundamentals of Economic Science / A. Marshall.- M.: Eksmo, 2007.- 832 p.
- [3] Bob Tricker – Corporate Governance, Principles, Policies and Practices, 3rd edition, Oxford online resources center, 2012. -904pp.
- [4] Investment Appraisal: Methods and Models - Uwe Götze, Deryl Northcott, Peter Schuster. 2015.
- [5] Investment Analysis. Gareth D. Myles. May 2010. -285pp.
- [6] Anokhin I.V. Enterprise Development Management: Strategic Management,



- Innovation, Investments, Prices: Textbook. -M.: Publishing house trade corporation "Dashkov and Co", 2012. -380p.
- [7] Damodaran A. Investment appraisal: Tools and methods for appraising any assets: Translated from English - 4th ed. - M.: Alpina Business Books, 2007. - 1340 p.
- [8] Emelyanov S.V. USA: government policy to stabilize the competitiveness of American manufacturers // Management in Uzbekistan and abroad, No. 3, 2012.
- [9] Teplova T.V. Investments. Textbook for universities. -M.: "Yurayt", 2011.
- [10] Ya.Karrieva, I. Akhmedov, A. Abdilakimov. Foreign investments. Study book. -Tashkent. "Itisodiyot". 2015.
- [11] Igonina, L.L. Investments / L.L. Igoni-na.-M.: Jurist, 2002. - 478p.
- [12] Yldashev, N., Nabokov, V. I., Nekrasov, K. V., & Tursunov, B. O. (2019). Innovative development of Uzbekistan agroindustrial complex. In Digital agriculture-development strategy (pp. 334-337).
- [13] Khodiev, B. Y., Mustafakulov, S. I., Tursunov, B. O., Sigidov, Y. I., & Khavrova, K. S. (2019). Methods for control efficiency evaluation of the production capacities application at the textile enterprises and the mechanism for optimal control. *Astra Salvensis*, 7(S1), 499-521.
- [14] Tursunov, B. O. (2019). Methodology for assessment the efficiency of production capacities management at textile enterprises. *Vlakna a Textil*, 26(2), 74-81.
- [15] Tursunov, B. O. (2018). Modern methods of production capacity usage management in textile enterprises. *Economics and Innovative Technologies*, 2018(3), 32.
- [16] Tursunov, B. (2020). Aspect of Financial Security of Industrial Enterprises Under Influence of Global Crisis. *Asian Journal of Technology & Management Research*, 10(01), 116-122.
- [17] Nuritdin Y., Bobir T. Applying of artificial intelligence in the textile industry as factor of innovative development of the branch // *Бюллетень науки и практики*. - 2018. - Т. 4. - № 4.
- [18] Турсунов Б. О. Стратегия развития легкой промышленности Республики Узбекистан // *Вестник Института экономики РАН*. - 2017. - № 5.
- [19] Kirill, K., Bobir, T., & Ziedulla, H. (2018). Estimation methodology of efficiency of production capacity management at textile enterprises. *Бюллетень науки и практики*, 4(1).
- [20] Ergashxodjaeva, S. J., Kyvyakin, K. S., Tursunov, B. O., & Ahmadovich, H. Z. (2018). Evaluation of textile and clothing industry clustering capabilities in Uzbekistan: based on model of M. Porter. *Int J Econ Manag Sci*, 7(439), 2.
- [21] Yuldashev, N., Nabokov, V., Nekrasov, K., & Tursunov, B. (2019, June). Innovative development of Uzbekistan agroindustrial complex. In *International Scientific and Practical Conference "Digital agriculture-development strategy" (ISPC 2019)*. Atlantis Press.
- [22] [www.uztex.uz](http://www.uztex.uz).