



INVESTMENTS IN ECONOMIC DEVELOPMENT AND WAYS TO IMPROVE THE INVESTMENT PORTFOLIO

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Annotation: *The article describes the growth rates of investments in fixed assets of Uzbekistan, ways to improve the investment portfolio, as well as advantages and disadvantages.*

Keywords: *bond, option, futures, security, liquidity, investment portfolio, investor, bank deposit, inflation, dividend, export, foreign investment, financial instrument, direct investment.*

INTRODUCTION

Any national economy is more or less connected to the outside world. The forms of these relations are very diverse and can have different levels of intensity: from the usual exchange of goods with a limited nomenclature to the multifaceted exchange of not only goods but also capital and active joint economic activity. Depending on this level of diversity and intensity, each of the economies 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 is directly related to the degree of freedom of entrepreneurial activity within that 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 inflows between countries and regions of the world leads to an increase in foreign investment in the economies of almost all countries.

As a result of a number of reforms carried out in our country to improve the investment climate, direct investment is actively flowing into sectors of the economy and regions. In particular, comprehensive measures are being taken to intensify investment policy aimed at modernizing and organizing high-tech industries that provide deep processing of local raw materials and production of finished products with high added value.

In order to further increase the effectiveness of reforms carried out on the basis of the Decree "On the Strategy of further development of the Republic of Uzbekistan" adopted by the President of the Republic of Uzbekistan Shavkat Mirziyoyev, to create comprehensive and operational conditions Implementation of the priorities of modernization and



liberalization of all spheres of life - the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved. One of the priorities of economic development and liberalization in this Action Strategy is to improve the investment climate, actively attract foreign investment, primarily foreign direct investment, to the economic sectors and regions of the country.

Active investment policy is one of the most important conditions for achieving sustainable economic development. Therefore, at the initiative of the head of our state, 2019 has been declared the Year of Active Investment and Social Development in our country.¹ In 2019, as a result of radical improvement and simplification of mechanisms for the implementation of investment projects, the implementation of large-scale work to expand investment and, above all, the attraction and development of foreign direct investment, positive in all areas. As a result, the volume of investments has increased significantly. In particular, foreign direct investment amounted to \$ 4.2 billion, an increase of \$ 3.1 billion or 3.7 times compared to 2018 - I want to draw your attention to this figure. The share of investment in GDP reached 37%.

For the first time, our country received an international credit rating and successfully placed \$ 1 billion in bonds in the global financial markets. The Organization for Economic Co-operation and Development (OECD) has upgraded Uzbekistan's credit risk rating for the first time in 10 years. At the end of 2020, the volume of foreign direct investment in fixed assets increased by 101.5% or 6.6 billion compared to the same period in 2019. dollars. This was stated at a briefing at the Ministry of Investment and Foreign Trade.²

According to preliminary estimates, 197 projects have been implemented under the investment program, which has created 38,000 jobs. In addition, 10,586 projects worth 59.1 trillion soums were implemented under regional investment programs, which created 131.5 thousand new jobs.

The meeting also discussed the indicators of foreign trade, including the volume of exports in 2020 amounted to 15.1 billion. It was noted that At the same time, 47 types of new products have been exported and new promising markets have been opened in a

¹ https://xs.uz/uz/post/videoselektor_0801

² <https://xs.uz/uz/post/2020-yilda-O'zbekistonga-qancha-investitsiya-jalb-etildi>



number of countries.

In order to replenish working capital, a guarantee procedure of up to 50% of the amount of loans issued to exporters has been established.

According to the forecast in 2021, the volume of foreign investment will reach 10.5 billion. USD, of which 7.6 billion. dollars of foreign direct investment. In turn, 226 large, highly economically important industrial projects will be launched and 34,000 jobs will be created.

Within the framework of regional investment programs, 94.8 trillion soums are planned to be disbursed and 7,106 investment projects will be launched, which will create about 162,000 new jobs.

ANALYSIS OF THE RELEVANT LITERATURE

The general definition of foreign investment is given in the 2nd edition of F. Henius' Dictionary of Foreign Trade, published in the United States in 1947: "Foreign investment is an investment made from the territory of one country to another, exported." [4]

In her research, Ms. Tursunova discusses the role of investment in the socio-economic development of the Republic of Uzbekistan, as well as the implementation of modernization projects, attracting investment for technical and technological renewal of industries[5].

In addition, Professor D. Gozibekov's theoretical views on foreign investment state the following: It is characterized by changes in the legal environment, the investment climate, and, as a result, capital movements across countries and regions " [6]. From these considerations, it can be concluded that foreign investment is capital that moves from the economy of one country to the economy of another country, which differs from domestic investment in the breadth of risks.

On the essence of investments: "Foreign countries, legal entities and individuals exporting capital for the purpose of future profit to the countries receiving capital in various forms of wealth (movable, real estate, intellectual property, etc.) and The investment of income (profits, interest, dividends, license and commission fees, royalties, maintenance and other bonuses) from them is called foreign investment " [7]. According to the scientist, the classification of foreign investments on the basis of various characteristics further



clarifies their economic nature.

RESEARCH METHODOLOGY

Economic research methods such as research, data collection, analysis, synthesis, and logical thinking have been widely used by world scientists and economists to improve the attraction of foreign investment in the economy of our country and the formation of an optimal portfolio.

MAIN PART

An investment portfolio is a set of securities in which an investor invests to make a profit. These include stocks, bonds, options, futures, trading contracts, financial instruments traded on the stock exchange, and so on. It can. Their common denominator is that they are securities, and investments have a certain probability of return.

The narrow meaning of this definition is more suitable for professional investors, big players. Banks and banks are among the main investors in Europe. Using their example, we consider the specifics of portfolio investments and their differences from direct investments.

Portfolio investments always perform one specific function: to benefit the owner. Plus, they benefit by just being in the portfolio. To fully understand what this means, let's look at a little theory about private capital.

Direct investment is an investment in a company's shares to get a significant key stake in the board of directors. That is, direct investment is the purchase of a 51 percent stake in a company in order to fully subdue it.

In a broad sense, an investment portfolio is a more everyday concept than in a narrow sense. And it doesn't make sense to consider it, because a lot of people know about investing in a bank, real estate, or just giving it to a friend. In this article, we will focus on portfolio investments in securities.

Advantages and disadvantages of portfolio investing: let's start with the most important question. Let's start on the positive side (Table 1).



Table 1.

Advantages and disadvantages of portfolio investing³

Advantages	Disadvantages
<p>Liquidity. The first and most important advantage of portfolio investments in securities is the liquidity of these investments. In most cases, investors invest their money in highly liquid or medium-liquidity securities, so that when needed, they can easily get rid of it without significantly losing value (and often with a profit).</p> <p>This principle comes first because you can sell all your securities in one or two hours without losing price.</p> <p>But this does not apply to all securities. Although they are traded on the stock exchange every second, the demand for some stocks can be in 2-3 days or more. But this category includes lesser-known, lesser-known companies. There is very little trust in them, their stocks are bought with great fear, but the investment is often justified.</p>	<p>Security. The basic rule of financing is that the higher the risks, the higher the return. If the stock is a high-yielding asset, then the risks are correspondingly high.</p>
<p>Openness. open enough to the general public. This applies to both pricing mechanisms and sales volumes. Here you do not need to study the statistics independently to determine at what price to sell this or that paper (unlike the favorite real estate market in Russia). All of</p>	<p>Knowledge requirements. Climbing the stock market without basic data is like committing suicide. And it's not just because there are sharks in the RCB who are ready to break the jackpot from a beginner. This is a stereotype. Without</p>

³ Prepared by the author by studying the economic literature



<p>this is public property for anyone - just go to the Moscow Stock Exchange website.</p>	<p>just basic knowledge, even if you are lucky enough, you will drop your investment account very quickly without increasing your capital.</p> <p>Investing in RZB can be compared to poker. The theory is that even the most lucky player who doesn't know only the basic rules of the game will come to a time when he is simply overwhelmed by experience. You can't be lucky forever, so there's nothing you can do without a theoretical basis. Also, if you don't have crazy luck.</p>
<p>Benefits. Exact transparency allows even the most ignorant person to see several factors: price dynamics from period to period, the volume of investment in a particular security, as well as the spread - the difference between the purchase and sale prices.</p> <p>This information is always disclosed to the public so anyone can evaluate the effectiveness of the investment. The same cannot be said about other types of real estate, such as real estate, business, investment funds, or bank deposits. There, pricing mechanisms are unclear and prices fluctuate depending on strange factors.</p>	<p>Analysis. This is the biggest problem. The inability of many people to analyze situations can ruin their investment account. You don't have to have huge knowledge and special skills to spend your investment wisely. It is enough to build a causal relationship properly.</p> <p>But most investors forget about it. Competent analysis allows you to identify a negative trend a few days before it starts, minimize risks, and maximize profits even when the market is down.</p>
<p>Profitability. Securities can be immediately classified as high-yield financial instruments. In addition, stocks, as one of the most profitable types of securities, can bring</p>	



<p>money at once in two situations: when a payment is made and when the stock itself increases.</p> <p>If you look at the distance, they bring huge benefits to their investors when an unknown company enters the market.</p>	
<p>Easy to operate. Stocks are great because you can buy very reliable stocks and forget about them for a while. Dividends will be paid to your bank account without your direct participation.</p> <p>However, this is a double-edged sword. On the one hand, you have a very good thing, but on the other hand, with proper management, profitability increases significantly.</p>	

Conservative portfolio. In the mid-20th century, conservatism was the most important investment principle. It was better to get less money than to lose it completely.

The conservative investment portfolio is based on the principles of high liquidity and minimum risk. Consequently, most of them will be bonds, financial instruments and a few percent shares.

Suitable for beginners due to low knowledge and skill requirements. Such investments allow you to gain experience and get the first income, which can be directed to something more interesting and useful.

Aggressive portfolio ... It has high yielding stocks. And as you already understand, the greater the benefit, the greater the risk. Therefore, it is dominated by stocks, less often financial instruments, and very few bonds.

Suitable for experienced players who are not afraid to take risks, know how to accurately assess the company's growth prospects, profitability and can predict market behavior in general. Not recommended for beginners. Medium-sized investment funds love this style.



Combined, mixed or average. An investment portfolio in which conditions of reliability and profitability are equally observed. This is because some stocks, even if companies are highly trusted, are highly valued by the market and some profitable earnings stocks have minimal risk. It cannot be said to be average.

Creating an investment portfolio is a situation where it is better to choose extreme things than to combine styles.

According to the prevalence of securities, the following can be distinguished: diversity (portfolio with approximately equal share of different securities, without strong dominance) and with the dominance of some securities .

The first is unbalanced because different investments offset each other when money falls. The proliferation of one security forces the investor to “bet” on it, and the rest is taken only for insurance.

It is also possible to distinguish the following by the method of income:

- Growth portfolio. Focused on buying stocks whose value is growing;
- Income portfolio. Focused on the purchase of income-generating securities (from purchases, dividends, etc.);
- Short-term portfolio. Focused on buying highly liquid shares for later resale;
- Long-term portfolio. Purchase of shares for a stable income (regardless of liquidity);
- Regional portfolio. Purchase of securities of a particular region. Allows you to focus on a narrower market segment;
- Industrial portfolio. Purchase of securities of a single industry. As in the previous case - use your knowledge to narrow the investment area.

Knowing the classification will allow you to fully and competently visualize how to go through the path of an authorized financier, what and under what circumstances to invest. And now about the principles of investing.

Principles of portfolio investment

Now we will talk about what are the principles in the formation of the investment portfolio.

Goal orientation. This is the most important principle of investing in general and building a portfolio in particular. The main thing to decide is why you are investing in stocks



in general.

There can be several options: save money (indexation of inflation), maximize profits, gain initial investment experience, have the skills to analyze the stock market in real time, fully passive income get and so on. You can go on forever.

The main thing to remember is that you need to set a clear goal for yourself, which will be the key to the right and successful investment.

Once the task is formed, you need to set smaller goals:

- Find highly liquid securities for resale;
- Creating a conservative investment portfolio for passive income;
- Buy stocks that grow in the long run to maximize;
- Use the leverage tool to develop daily trading skills while trading on the exchange.

Goals can be many, but they should be.

Balance of risks and returns. The balance of risk and return is a very contentious moment that investors still can't compromise on. Some say it's just important to make a profit, while others believe it's high profit margins that make the stock market so attractive.

Everyone has to decide for themselves how to balance risky transactions and profit margins based on their goals. Keep in mind that in some cases the big benefit is not related to the high risk. This is rare, but it does happen.

Liquidity. Don't forget about the liquidity of your securities. You have to buy and sell over and over again and therefore high "selling" makes your assets very attractive.

But there's one interesting idea - low-liquid assets can be more profitable. This is true because low liquidity is a tier 3 stock, i.e. a little-known company, a kind of dark horse. It is precisely because he or she underestimates the securities of another issuer that such a large profit is generated at first glance.

Diversification. Distributing risks between multiple assets is something that not every investor can do. And the point here is that you need to maintain a balance between high-yield and reliable securities. Simply put, portfolios with many different assets give an investor more freedom of movement to change their portfolio.

If you have a single type of stock that outperforms most stocks, then you can't remove them from your investment portfolio with a 90% probability, even if you see them as unprofitable. And if there are several stocks in equal shares, then it will not be painful to



share one of them.

The investment portfolio includes the following assets:

- Promotions;
- Bonds;
- Futures;
- Choices;
- Bank deposits;
- Currency;
- Precious metals;
- Actual investments.

Shares and bonds. Antagonists in the world of securities. While the former is risky, it brings huge profits and can turn a person into a millionaire from afar, while the latter is designed for more conservative, short- and medium-term trades and passive investors.

Investing in securities implies constant monitoring of the company's activities, while bonds, by contrast, require almost no attention. It is no coincidence that shares from most companies are used to raise start-up capital, and government bonds are preferred to borrow from the public.

Bank deposits and deposits. Banks remain the most reliable means of investing small and medium sums, regardless of the current situation in the banking sector.

For those who want to earn a fully passive income for themselves, bank deposits will be a great tool to cover inflation and create a small "airbag" as the next crisis begins and the stocks of selected issuers fall.

Currency and precious metals. At the same time, it is advisable to choose a currency based on the current economic situation in the world, carefully assessing the prospects of this or that country.

In the event of a crisis in Europe, you should always look at the dollar, in the event of a crisis in America - the Euro or the Pound. In addition, crypto-currencies are gaining popularity right now, the leader of which is still Bitcoin.

This is a great way to cover inflation, as the trend is that this currency has been growing for the last few years and after about 15-20 years its production will stop completely, which could turn bitcoins into an analogue of gold.



Investments in fixed assets amounted to 202.0 trillion soums. The volume of investments in fixed assets increased by 91.8% compared to the same period last year [8].

In particular, as the President said, "Without investment, the economy will not develop. If we create an environment and infrastructure for investors, there will be jobs, production will increase, taxes will fall. Businesses need to be encouraged to recapitalize and grow. "[9] The following information shows that these ideas are reflected in practice. Investments from the state budget are directed to the implementation of targeted investment programs aimed at supporting the social sphere and the life support system, the development of infrastructure of the Republic of Uzbekistan.

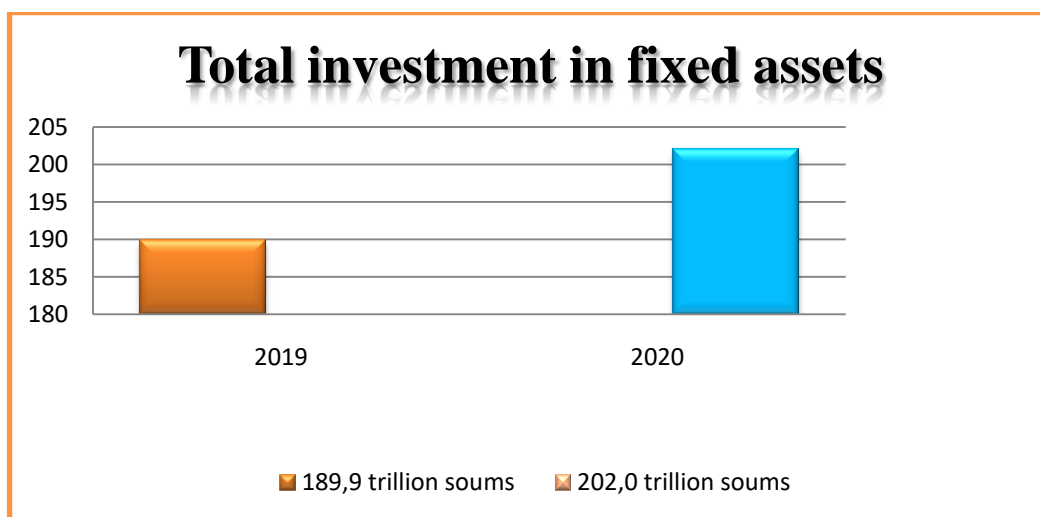


Figure 1. Investments in fixed assets totaled trillion soums [8].

In the total volume of investments, the share of investments in fixed assets financed from centralized sources of funding decreased by 8.0% compared to the corresponding period of 2020 and amounted to 19.5% or 39,310.2 billion soums. soums. Accordingly, 162,289.9 billion soums were allocated from decentralized sources of financing. UZS or 80.5% of the total investments were disbursed, an increase of 8.0% compared to the same period last year.

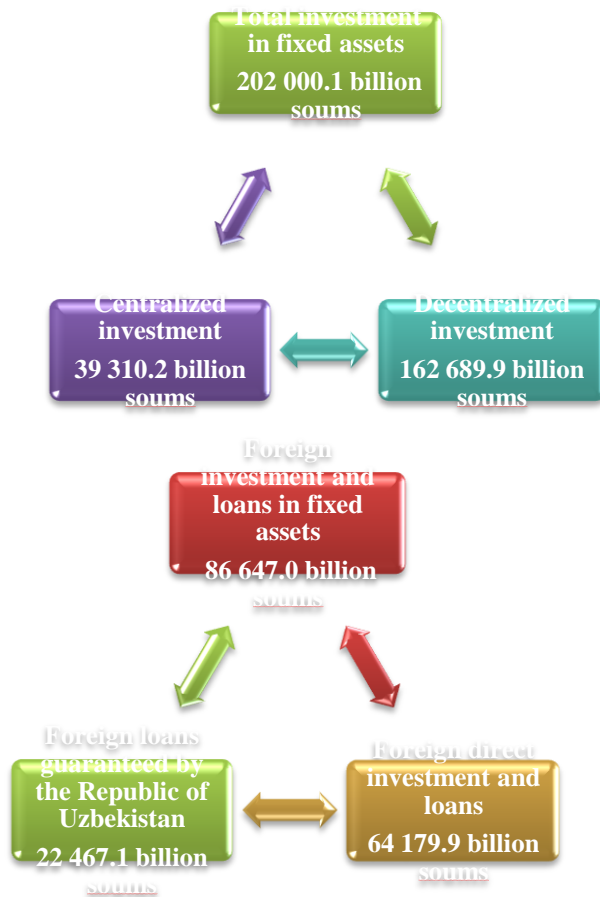


Figure 2. Total investments in fixed assets (trillion soums) [8]

It should be noted that the volume of investments in fixed assets of enterprises and organizations operating in our country has increased significantly this year. In particular, in January-December 2020, investments in fixed assets financed by enterprises and organizations from their own funds amounted to 51,911.3 billion soums. soums or 25.7% of total fixed capital investments. 8.9% or 18,077.8 billion soums were invested in fixed assets at the expense of the population. sum was embezzled. The volume of investments attracted by foreign direct investment amounted to 28,740.5 billion soums. soums and decreased by 5.3% compared to the corresponding period of 2019 and amounted to 14.2%. It also received \$ 28,520.9 billion in loans and other borrowings from commercial banks. UZS (accounting for 14.1% of total investments in fixed assets, a decrease of 0.3 percentage points compared to the corresponding period of 2019), foreign loans guaranteed by the Republic of Uzbekistan amounted to 22 467.1 bln. soums (decreased by 11.1% and 3.1%),



unsecured and other foreign investments and loans amounted to 35,439.4 bln. soums (increased by 17.6% and 7.6% points), the Fund for Reconstruction and Development - 1,814.6 bln. soums (decreased by 0.9% and 2.5% points), the republican budget - 13 081.3 bln. soums (decreased by 6.5% and 2.5% points), the Fund for Development of Water Supply and Sewerage Systems - 1,947.2 bln. UZS (increase by 1.0% and 0.1%) respectively.

Foreign direct investment in Central Asia and Uzbekistan flow [10]

	Central Asian countries	O'zbekiston
Growth	The growth of foreign direct investment has led to economic growth and increased efficiency.	Direct investment has led to financial growth and declining poverty.
Sector	More foreign investment has been attracted in energy, agriculture and manufacturing.	More foreign direct investment was attracted in mining, agriculture, energy, services, textiles and tourism.
Natural resources	Countries in the region have attracted foreign direct investment because they are rich in natural resources.	Attracting foreign direct investment due to the country's rich natural resources.
Education and infrastructure	They are not the main factors in attracting foreign direct investment.	The Uzbek government has improved infrastructure and social services.
Legal basis	The rule of law has developed in high foreign direct directions.	Many legal reforms have not been implemented.
Environmental protection	Foreign direct investment has increased CO2 emissions in the region.	A successful environmental strategy has been used.

In addition, in order to ensure the implementation of the Resolution of the President of the Republic of Uzbekistan Shovkat Mirziyoyev dated August 3, 2020 No PP-4796 "On measures to further improve and develop the national statistical system of the Republic of



Uzbekistan"⁴ statistics in the field have been clarified and identified. Fixed capital investment rates were the highest in terms of funding sources, an increase of 63.2% compared to 2019. Organization of production of cement for such high growth, organization of production of electronic gas meters, medicines in the form of yarn, infusion and injection mixture, construction work on mining and processing of gold in the Auminzo-Amantoy deposits I -Phase II, processing of the Muruntau quarry (Phase V) Phase I, construction of a complex for the processing of man-made waste (Phases I-II), construction of the Tashkent Metallurgical Plant and other major investment projects .

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⁴ <https://www.lex.uz/docs/-4926736>



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