

The Importance of Organizing Investment Activity and its Classification

Malikova Dilrabo Muminovna

PhD, Acting associate professor, Faculty of Banking and Financial Services, Samarkand Institute of Economics and Service

Ruziyev Rustam Sirojiddin ugli

Student, Samarkand Institute of Economics and Service

Abstract: Investment activity is the process of allocating resources, usually financial capital, into various ventures with the expectation of generating future income or profit. Its essence lies in the strategic deployment of funds to create value and achieve specific financial goals. The importance of investment activity cannot be overstated, as it serves as a catalyst for economic growth and development on both individual and societal levels. The paper provides an examination of the fundamental nature of investment and investment activity, along with an analysis of their varieties, drawing from both international and domestic legal frameworks.

Key points: investment, investment activity, subjects of investment activity, capital investment, financial investment, real investment.

In the current era of economic globalization, investment activity plays a crucial role in the economy of all nations. Consequently, this activity aims to enhance and foster industrial production within a country, contributing to its stable and progressive economic growth. Hence, each nation supporting investment endeavors formulates a strategic plan outlining its specific objectives in this domain. Specifically, our country has devised numerous initiatives and schemes to attract investments across different sectors, facilitating their inflow and bolstering investment activity.

It is important to highlight Presidential Decree of the Republic of Uzbekistan No. PF-60, issued on January 28, 2022, titled “On the Development Strategy of New Uzbekistan for 2022-2026”. This decree outlines specific plans aimed at enhancing investment attractiveness and improving the business environment in our country. These initiatives, geared towards fostering investment activity, necessitate a comprehensive understanding and clarification of its essence and significance.

The concept of investment activity revolves around terms such as investment and investor. To gain a thorough understanding, it is pertinent to delve into these concepts first. The term “investment” originates from the Latin word “invest”, meaning “to put”. In broad terms, investment encompasses funds, securities, tangible and intangible assets, including property rights, utilized in business or other endeavors with the aim of generating profit or achieving other beneficial objectives.

The concept of investment varies across different foreign literature. Some economic texts define investment as capital deployed in a specific sector with the aim of generating profit, while others characterize it as any assets utilized in economic activities to augment fixed capital.

Investment activity encompasses a series of practical measures undertaken by individuals, legal entities, and investment entities including citizens and foreign legal entities, aimed at earning income, augmenting existing capital, or achieving other beneficial outcomes. It involves allocating capital across various sectors and managing it effectively.

A group of scholars delineate investment activities into three stages. The first stage involves determining the purpose of the investment, along with its direction and implementation methods. This encompasses tasks such as specifying the amount and duration of the investment, as well as outlining the rights, obligations, and profit distribution among parties involved. The second stage entails executing practical actions necessary for the implementation of the investment project, including overcoming legal hurdles, signing essential contracts, and obtaining relevant permits and licenses. The third stage involves managing investment instruments, making decisions regarding them, addressing obstacles to project implementation, distributing income, and reinvesting.

Investment activities, similar to other types of endeavors, involve a specific group of individuals who play a role in shaping the subjects of investment activity. These subjects encompass investors at different levels, comprising individuals and legal entities engaged in such activities, business entities, government bodies at both central and local levels, foreign countries and their governmental bodies, international organizations, as well as individuals and legal entities from foreign nations, including stateless legal entities.

In contemporary times, investment projects are undertaken by investors across various sectors. Consequently, the classification of investment activity is recognized as a distinct area of study in numerous economic and legal publications. Investments can be classified based on various criteria, including:

1. Purpose:

Financial investments: These involve the purchase of financial assets such as stocks, bonds, and mutual funds with the expectation of earning a return.

Real investments: This includes investments in tangible assets such as real estate, machinery, equipment, and infrastructure, aimed at generating income or appreciation over time.

2. Duration:

Short-term investments: These are investments with a relatively brief holding period, typically less than one year, such as money market instruments or short-term bonds.

Long-term investments: These are investments held for an extended period, usually several years or more, such as stocks, real estate properties, or long-term bonds.

3. Risk:

Low-risk investments: These investments have a lower probability of loss and typically offer lower returns, such as government bonds or savings accounts.

High-risk investments: These investments carry a higher potential for loss but also offer the possibility of higher returns, such as stocks, venture capital, or commodities.

4. Ownership:

Direct investments: Investors directly purchase and own the assets, such as buying shares of a company's stock or acquiring real estate properties.

Indirect investments: Investors access assets through intermediaries like mutual funds, exchange-traded funds (ETFs), or real estate investment trusts (REITs), where they own shares of a pooled investment portfolio rather than the underlying assets directly.

5. Sector:

Sector-specific investments: Investments are categorized based on the industry or sector in which they operate, such as technology, healthcare, energy, or consumer goods.

6. Geography:

Domestic investments: Investments made within the investor's home country.

International investments: Investments made in foreign countries or global markets, including foreign stocks, bonds, or real estate.

Article 5 of the Law of the Republic of Uzbekistan “On Investments and Investment Activities” specifies the types of investments according to the intended object, according to which investments in the Republic of Uzbekistan are classified according to the intended object. It is divided into capital, financial and social types.

In conclusion it should be noted that investment activity involves allocating capital across various sectors and managing it effectively by individuals, legal entities, and other investment subjects to generate income, augment existing capital, or achieve other beneficial outcomes. It encompasses a series of practical steps aimed at achieving these goals. From this perspective, the concept of investment activity encompasses the purpose, object, and direction of investment, along with the organizational and legal actions associated with it, all with the aim of attaining a positive outcome, typically profit. The classification of investment activities aids investors in determining the purpose and scope of capital investments, providing clarity on investment fields, and offering more objective information about them.

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