

# IMPROVING THE MECHANISM OF ATTRACTING INVESTMENTS IN ENSURING THE FINANCIAL STABILITY OF ECONOMIC NETWORKS

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## Abstract

This article describes the practical importance of developing the national economy by attracting investments. Scientific approaches expressed by economists on the importance and necessity of portfolio investments in the economy are presented. The dynamics of the investments attracted to the national economy and the trends of change over the years are analyzed. The share of portfolio investments as part of attracted investments was studied. Scientific recommendations on the promotion of attracting portfolio investments to the national economy have been developed.

**Keywords** Investment, portfolio, national economy, share, bond, capital market, financial instruments, corporate management, commercial banks, exchange rates.

## INTRODUCTION

At the current stage of the development of the business environment in Uzbekistan, corporate structures must make decisions about diversifying the type of activity, looking for additional investment opportunities, and becoming a participant of the international capital market. In recent years, as a result of the reforms implemented in economic sectors, new forms and approaches to conducting business are developing. While the fundamental and scientific bases of attracting portfolio investments are developing in the improvement of investment activity by corporate structures, we can note that this segment is not developing sufficiently in the financial market of our country. Of course, in this case, the improvement of the incentive mechanism for

attracting portfolio investments by the state is of urgent importance, and the development of scientific proposals and practical recommendations for the development of the sector is one of the important tasks.

The Development Strategy of New Uzbekistan for 2022-2026, "further improving the investment environment in the country and increasing its attractiveness, taking measures to attract 120 billion US dollars, including 70 billion dollars of foreign investments in the next five years" [1] is defined as one of the main goals. Of course, the role of large joint-stock companies operating in our country and their investment activities play an important role in achieving such great goals. It is important to increase the share of portfolio

investments and effectively use the best practices of foreign countries to stimulate the mechanism of portfolio investment attraction in attracting investments and their effective use.

### **Review of literature**

The role and importance of foreign investments in the development of the country's economy, the transformation of the capital market and the application of modern approaches are being carried out by domestic and foreign economists.

At first glance, the idea of investing internationally seems exciting and full of promise, as there are many advantages to international portfolio investing. By investing in foreign securities, investors can participate in the economic growth of other countries, protect the consumer basket from exchange rate risk, realize diversification effects and use market segmentation on a global scale. Although these advantages may seem attractive, the risks and limitations of international portfolio investment should not be overlooked [2]. Portfolio management is the process of organizing an investor's financial assets to minimize risk and maximize returns. This process allows the investor to make investment decisions and use trading strategies [3]. According to M.Giofre, investments are a combination of national economies, integration associations, international organizations and various relations between them, which are important structural links of the world economy. In the following years, the development of investment relations between these sectors is gaining importance in economic and social development, as well as increasing the integration of states [4]. According to P. Panagiotis, the results of foreign studies show that direct investment is a mechanism that has a positive effect on economic growth in industrialized countries. Foreign investment, particularly direct investment, serves as a source of capital income both in manufacturing and in the service sector [5].

In the theoretical views on foreign investment, the following points are stated: "Foreign investment is the tying of the capital of one economic entity to another economy for a certain period. It differs from domestic investment by the breadth of risks, changes in legal conditions, the investment environment, characterize it and as a result, capital migration occurs across countries and regions. gives" [6]. According to N. Khaidarov, "if the investment policy implemented in each individual country is decided with a positive indicator, then the indicators of the gross domestic product created in that country will tend to increase. Therefore, if the investment policy shows a decline, the above-mentioned situation will appear, and the gross domestic product will have a downward trend compared to the indicator of the previous year" [7].

According to Sh.Mustafagulov, "natural resource reserves in the regions, benefits created for investors, infrastructure condition, investment rating of the regions affect the flow of foreign investments and the activation of domestic investments" [8]. O. Astanakulov expressed the following opinions about the importance of investments in economic development: "Achieving economic development requires attracting investment resources to the real sector and using them effectively" [9]. Analysis of the experience of developed countries shows that investments, including foreign investments, have led to a high level of development of countries. Investments have led to the rapid development of local sectors in the economies of developed countries.

### **RESULTS**

The rapid growth of private investments is also important in supporting economic development. In particular, in 2023, the amount of investments absorbed from all sources of financing in the economy increased by 22.1 percent in real terms compared to 2022 and reached 352.1. reached trln

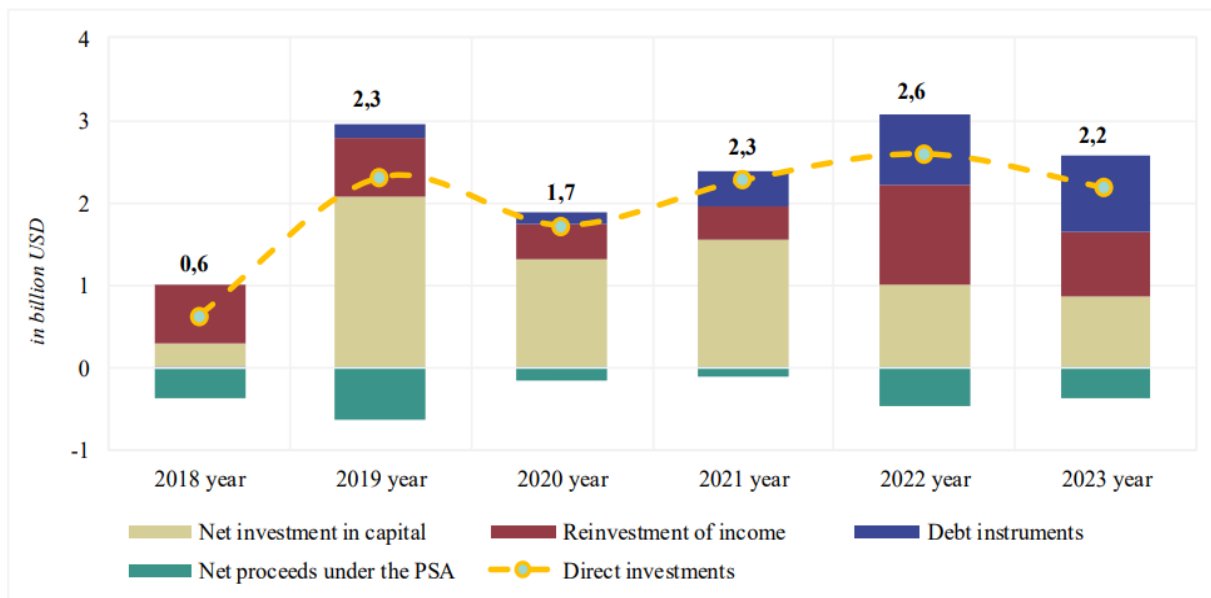
soums. In this regard, the volume of decentralized investments increased by 26.2% to 307.3 trillion soums compared to 2022, and centralized investments decreased by 0.7% to 44.8 trillion soums (Table 1).

**Table 1**  
**Changes in fixed capital investments by sources of financing, in billion soums <sup>1</sup>**

<b>№</b>	<b>Funding sources</b>	<b>2021 y.</b>	<b>2022 y.</b>	<b>2023 y.</b>	<b>Үзгариш, фонзда</b>
<b>1.</b>	<b>Total investments</b>	<b>239553</b>	<b>269857,5</b>	<b>352064,1</b>	<b>22,1</b>
<b>2.</b>	<b>Centralized investments</b>	<b>46100</b>	<b>41548,1</b>	<b>44806,8</b>	<b>-0,7</b>
	<i>Budget funds</i>	22172	20910,1	20447,0	-11,4
	<i>Recovery and Development Fund funds</i>	3006	2447,9	1554,2	-42,0
	<i>Foreign loans under government guarantee</i>	18129	15256,5	21153,4	30,1
<b>3.</b>	<b>Decentralized investments</b>	<b>193452</b>	<b>228423,6</b>	<b>307257,3</b>	<b>26,2</b>
	<i>Own funds of enterprises</i>	68360	84513,9	84936,4	-2,7
	<i>Foreign direct investment and loans including</i>	83243	97095,4	166731,4	56,2
	<i>foreign direct investment</i>	29911	37006,3	84311,6	96,4
	<i>Population funds</i>	22705	25738,1	33321,7	8,9
	<i>Commercial bank loans</i>	19145	21076,2	22267,8	17,9

In 2023, the net volume of foreign direct investments will decrease by 16% compared to 2022 and will amount to about 2.2 billion dollars, with a net increase in capital of 870 million dollars, a net increase in debt obligations from parent

companies of 914 million dollars, and agreements related to product distribution ( Net decrease of investments within MTB) amounted to 382 million dollars (Figure 1). Also, the reinvestment of income by foreign investors decreased by 36% compared to 2022 and amounted to 786 million dollars.



**Figure 1. Changes in the structure of foreign direct investments <sup>2</sup>**

In 2023, the negative balance of portfolio investments was formed for 995.4 million dollars due to the attraction of foreign portfolio investments to the capital of non-financial organizations, as well as interest calculated for international bonds issued by the government, commercial banks and other enterprises, and "green" Eurobonds. Foreign loans and borrowings are the main sources of financing the current account deficit, and the volume of these operations has increased by 57% compared to 2022 and amounted to 7.1 billion dollars. Despite the reduction of the net international investment position by the end of 2023, the position of "net creditor" of Uzbekistan was preserved. In 2023, the volume of total foreign assets increased by 3% and

amounted to 84.9 billion dollars, while the volume of total foreign liabilities increased by 14% and reached 72.5 billion dollars. The net international investment position of our country amounted to 12.4 billion dollars as of January 1, 2024. Despite the increase in assets in foreign currency and the positive trend of the gold price in the world, the decrease in the net international investment position was mainly due to the attraction of foreign debt and foreign investments by the state, banks and other private sector enterprises.

According to the information provided by the Central Depository of the organizations responsible for portfolio investment management in Uzbekistan, as of January 2024, 625 joint-stock companies are accounting for the issuance of

17,947.40 billion securities with a total nominal value of 189,709.12 billion soums. During 2023, the volume of securities issuance is 22,946.63 billion. to soums, and the number of shares is 1,501.39 billion. increased to pieces. The central depository also maintains accounts of 897,200 corporate bonds with a total amount of 1,063.4 billion soums issued by 33 issuers. 543.1 thousand of them with a total amount of 669.19 billion soums were issued by 26 LLCs.

As of January 2024, the state share in 239 joint-stock companies amounted to 158,216.5 billion soums (including the state share in the form of shares of 158,172.8 billion soums in the Central Depository of 219 joint-stock companies). During 2023, the number of joint-stock companies with a state share in the charter fund increased to 16, and the size of the state share increased to 23,641.1 billion soums. The size of shares of economic management bodies in the charter fund of 135 JSCs amounted to 3,848.8 billion soums. During 2023, the volume of assets of economic management bodies decreased to 3762.0 billion soums, and the number of JSCs decreased to 27.

The Central Depository provides services to 2 XIFs and 7 investment funds, performing the exclusive functions of accounting for rights to securities issued and owned by investment funds. As of the reporting date, the volume of securities issued by investment funds was 2.32 billion soums, and the volume of securities purchased by investment funds was 8.47 billion soums. The number of shareholders of investment funds was 50,439, including 50,402 individuals and 37 legal entities. The Central Depository also maintains accounts for the securities rights of 55 investment intermediaries and their clients. As of January 2024, the number of clients of investment intermediaries who opened deposit accounts amounted to 704.88 thousand, including 57.98 thousand legal entities and 646.90 thousand

individuals. Compared to the same period last year, the number of deposit accounts increased by 0.04 percent. The total volume of securities managed by investment intermediaries is 17,308.39 billion by nominal value. 7 179.12 billion soums. constituted a piece of stock. Compared to the same period last year, the volume of securities managed by investment intermediaries increased by 38.46 percent.

38,693.6 billion soums in the amount of 3,821.57 billion soums were transferred by the Central Depository during the reporting period. 184 over-the-counter deals on individual securities were registered, and 212 transfers were made to depository accounts on registered over-the-counter deals. It should be noted that the degree of development of the capital market is important in attracting portfolio investments. Capital market development depends on many factors, including macroeconomic stability, political stability, level of regulation and supervision, availability of infrastructure and technological innovation, availability of information, investor knowledge and confidence in the system. These factors are interrelated and together determine the level of development and stability of the capital market.

## **CONCLUSION**

Portfolio investments allow investors to independently determine the level of profitability and capital protection required. According to the modern portfolio theory, special attention should be paid to the process of diversification of financial instruments to reduce portfolio risk. Because the decrease in the yield of one type of asset can harm the total yield of other types of assets in the portfolio. This, in turn, can lead to a decrease in the company's investment portfolio.

It should be noted that the methodology of investment risk assessment is one of the broad scientific directions, and investment risks are related not only to internal factors that occur in one

company or a certain industry but also to external risks that occur as a result of changes in the country or world economy. Therefore, before spending investment resources on a specific project, it is necessary to analyze the market situation in the current period and what kind of economic situation is expected shortly, as well as the laws related to the field of activity of the company chosen by the investor. According to international financial experts, there is usually a separate management method and methodology for each type of financial risk. The choice of specific methods for assessing and analyzing the level of risk of an investment project depends on the following factors: the scope of the project, the completeness of the information base, the requirements for the level of reliability of the analysis and the project, etc. Given that investment activity is intrinsically linked with risk, it is very important to be able to reduce or prevent risks.

One of the important aspects of increasing the efficiency of the investment portfolio is portfolio monitoring. Portfolio monitoring is a developed mechanism for regular monitoring of key indicators of investment projects included in the portfolio. The main purpose of the monitoring system includes the approved schedule of individual projects included in the portfolio and the tasks from identifying "deviations" in the project to eliminating the deficiencies identified in the course of studies. Monitoring should ensure early detection of miscalculations and problems. Creating a monitoring system consists of selecting and evaluating individual indicators of investment projects.

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