

**THE ROLE AND IMPORTANCE OF FOREIGN INVESTMENT IN ECONOMIC DEVELOPMENT**

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**Annotation:** *The article talks about the fact that attracting and using foreign investments based on world experience convincingly proves how much they contribute to economic development and serve as a powerful incentive for socio-economic reforms.*

**Key words:** *Fixed assets, investments, new capital, financial assets, replacement, expansion, rationalization, capital structure renewal.*

**INTRODUCTION.** The word "invest" literally translated from Latin means "share, capital". The Law of the Republic of Uzbekistan "On Investment Activity" defines the concept of "investment" as "material and intangible benefits and rights to investments in economic and other activities." [1]

Given the nature of this category, it should be noted that in modern literature it is often defined by the concept of 'capital investment'. In such cases, investments in fixed assets are described as investments, but this is not entirely true because investments are made in current assets, certain types of intangible assets, and various financial instruments.

At the macroeconomic level, investment is a part of the costs of reproduction of means of production, housing stock, inventory, etc., ie the part of GDP that is not consumed in the current period, aimed at capital growth. [2]

At the macro level and in production theory, investment represents the process of organizing new capital, including the increase of means of production and intellectual capacity.

**RESULTS.** In financial theory, investments are related to the purchase of real or financial assets, i.e., in essence, these are modern costs to generate income in the future. In other words, it is the replacement of a particular present value with an indefinite future value. In the economy as a whole, investment is seen as a process of raising capital. The latter definition reflects future benefits and the risks associated with them as the primary criteria.

Thus, investment decisions are based on an analysis of the expected return on risk. Therefore, in determining the nature of investments, we must always keep in mind that they are associated with different types of risks and expected returns.

The ability of money to earn income depends on the sources of its receipt and the directions of its use, i.e. where the money comes from and what it is spent on. Consequently, there is an integral relationship between the reliability of capital sources and the correctness of investing funds. According to these criteria, investments are different from other investments.

In his most famous textbook, Investments (1990), B.F. Sharp, a Nobel Laureate in Economics, describes investments as the rejection of a particular benefit at the present time in order to make a profit in the future. The authors of this guide explain the meaning of the term "investing" as follows: "Say goodbye to money today to make a profit in the future" and believe that you can invest in real or financial assets. That is, the content of investments is that they participate in the process of capital movement, more precisely, the process of capital movement itself reflects the essence of investment. The capital gains generated in this move should be sufficient to reward the investor for refusing to use the funds currently available for consumption and for risking future losses from inflation. [3]

It follows from the above that investment is a more capacious concept than 'capital investment'. Investments are involved in the process of capital movement. They are linked over a

period of time for specific assets. Their main purpose is to maintain or increase the value of capital, and their main difference from capital is to predict risk and determine the rate of return.

Investments differ on the basis of various characteristics: net due to the need to increase fixed capital and gross due to the need to cover the depreciation of fixed assets. Investments are allocated by program objects. These items can be: property, financial instruments, intangible assets. According to the direction of investment: replacement, expansion, rationalization, renewal of the composition of funds, etc. can be divided. There are investments in terms of objectives and related risks: venture (risky) direct, portfolio and annuity. The form of venture capital is the issuance of new shares produced in new areas of activity involving this high risk. Risk capital includes various forms: credit, capital, entrepreneurship. [4]

Direct investments are investments in the charter capital of a business entity for the purpose of earning income and the right to participate in the management of the business entity. A portfolio investment is a set of different values that an investor serves to achieve a specific goal. An annuity is an investment that brings a certain return to an investor over a period of time.

From the point of view of investment entities, there is private equity, loans (including bonds), as well as private investments made at the expense of attracted capital; public investment at the expense of budget funds, long-term loans and other attracted resources. Depending on their attitude to commercial risk, all entities that make any investment can be divided into investors, entrepreneurs, speculators and players. When investing, the investor is interested in minimizing the risk, the entrepreneur takes into account the probability of risk, the speculator is ready to take a known, pre-calculated risk, the player is ready to take any risk.

If we consider investments on the basis of value category, then we can say that at the enterprise level they are aimed at increasing the value of the property of the owner, and at the level of joint stock companies to increase the share value in joint stock. In other words, in any case, the goal of the investment is to capitalize on value and realize savings.

However, unlike different forms of capital (credit, equity, entrepreneurship), investments are aimed at minimizing the risk of losses, even if they involve certain risks.

Thus, investments are mandatory in a particular process over a period of time to maintain the current value of capital or to increase it in the future. Investment is, in fact, the rejection of modern consumption in order to accumulate at the expense of future consumption.

Economists classify investments as follows:

- \* real (capital-generating) directly;
- \* portfolio;
- \* financial;
- \* intellectual intangible,

In the Law on Investment Activities, investments differ on the target object. Accordingly, they are divided as follows:

- \* capital (in real assets);
- \* innovative - (for the design and development of new generation equipment and new technologies);
- \* social (in the development of human potential, skills, industrial experience, other forms of intangible benefits). [5]

Investment decisions made at the micro level are usually relatively autonomous. These decisions vary in cause, scope, and purpose, and lead to appropriate financial consequences, which are typically calculated, predicted, and serve as selection criteria. From the point of view of choosing the scope of its fiscal policy, it is important for financiers and investors to be aware of the impact of macroeconomic flows on the state of affairs in stable, cyclical and growing sectors. This information is necessary for decision-making in the field of investment policy at the enterprise level, because by

choosing this or that investment policy, it is possible to predict long-term trends in economic development and understand the possibilities of adapting to them.

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