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Issues of Composition, Analysis of Sources of Financing Investments and Their Improvement

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Abstract: This article discusses a number of issues such as financing investment activities, the formation of its sources, the creation of a favorable investment environment, the study of factors affecting investment activities, the improvement of the activities of enterprises with the participation of foreign investments. Opinions in the scientific research of many Economist scientists and specialists have been studied. Conclusions and proposals have been formed on the issues of the composition, analysis of investment activities and their financing sources in the current conditions and their improvement.

Keywords: Investments, investment policy, investment financing, state budget, centralized and decentralized budget, investment environment, investment activity, social income

INTRODUCTION

In the post-independence period, in the sectors of the economy of the Republic of Uzbekistan, various forms of ownership and economic activity corresponding to the market mechanism and principles appeared, a decrease in the share of state property and an increase in the contribution of the non-state sector in the value of GDP was ensured. As a result, the value of GDP, as well as in the revenue part of the state budget, also changed the composition of sources of financial revenue, with the main emphasis on the development of mechanisms for the formation of decentralized source and market entities of investment from a centralized distribution of capital funds.

Financing of investment activities at the expense of decentralized resources is understood as financing from the own and equivalent funds of economic entities. In such conditions, the need arises to financially support the activities of state economic entities in order to maintain an active investment policy.

So how are the financial support processes carried out? Of course, financial support is carried out through means (tax, insurance, subsidy, subvention, depreciation deductions, credit, etc.). These financial instruments provide assistance to solve the problems of independent and free determination of economic entities ' own areas of activity in accordance with market relations. The creation of a favorable investment environment is achieved, through which the expansion of the types of innovation and investment activities and the improvement of mechanisms for their financing are achieved in order to transform the economy.

The investment and innovation activities currently carried out in industries and business entities cannot fully meet the requirements for the transformation of the economy. Because there are a number of problems, the solution of which depends on these issues. For example, the flow of investments in the country is not enough; the volume of foreign investments directly involved is low, and the sources are not diverse; there is a lack of stability in the territorial investment policy, investments are located unevenly in the cross section of the territories; the level of attracting investments for the transformation of production, modernization, technical and technological re-equipment is not enough; the composition of investment resources does not correspond to the existing structure in developed countries; a high level of state share in the economy; an increase in inflation; a change in tax burden; the level of development of infrastructure and Communications is insufficient; processes of updating and modernizing; production is at a low level; issues of low level of localization and strong dependence on imported components remain.

Separately, it should be noted that the release of ready-made consumer products to the world market from the previous raw materials realization policy, on the basis of which it is relevant to further increase the flow of foreign currency and investments to our country.

It can be said that the issues of further expanding the scale of modernization of the economy, for which the increase in the volume of foreign and domestic investments, including direct ones, and the promotion of their effective use, remain one of the priorities that await their solution. Consequently, it is doubtful that it is relevant to develop and effectively implement the scientific and practical foundations of increasing investment activity in the cross-section of territories, networks and economic entities on the basis of treating the processes of modernization and investment of the economy as two sides of one medal and strengthening their interaction and ensuring their harmony.

First of all, the relations on investments and investment activities in the territory of Uzbekistan are regulated by the law of the Republic of Uzbekistan “On investments and investment activities”, adopted on December 25, 2019, is a regulatory framework. This law abolished law 609-I of the Republic of Uzbekistan on foreign investment, adopted on April 30, 1998, law 611-I of the Republic of Uzbekistan on guarantees of the rights of foreign investors and measures to protect them, law 719-I of the Republic of Uzbekistan, adopted on December 24, 1998, and several other regulatory acts.

Article 3 of the law of the Republic of Uzbekistan “On investments and investment activities” defines the sources and procedures of investment financing and the investment policy. “Investment policy is a set of interrelated measures aimed at ensuring the necessary level and structure of investments in the economy of the Republic of Uzbekistan and its specific sectors, increasing the investment activity of the subjects of investment activities aimed at finding investment sources and determining the priority sectors of their use” [1].

Many issues such as financing investment activity in the country's economy, forming its sources, creating a favorable investment environment, studying the factors influencing investment activity in the development of the national economy, and improving the activities of enterprises with foreign investments have been covered in detail in the scientific studies of many economists and specialists. In particular, in the works of A. Smith, D. Ricardo and U. Petty, as well as P. Samuelson, Y. Fisher and others, prominent classical economists, financial resources and financing mechanisms, including the scientific-theoretical and methodological foundations of investments, have been extensively researched and developed.

Foreign economic scientists Modilliani, M.Miller, W. Aladin, Dj.Alexander, W. Bailey, I. Waxrin, S.Valdaytsev, P. Vorobev, V. Zhdanov, V.Igoshin, V.Kiseleva, Ya.S.Melkumov, Ya.M.Mirkin, G.I. Ivanov, S. Neshitoy, G.Nikolskaya, D.Tobin, U. Sharp has carried out research work in areas related to the types of investment activities and their sources of financing, the scientific and practical foundations of the classification and development of investments, the methodology and methods of financial and economic assessment of investment activities and investment environments.

It should also be said that investments are not only those that are spent on raising Real capital, these resources are also spent on material, intangible assets, the purchase of securities. That is, it is possible to have a source of income by capitalizing capital and attracting funds to financial investments [2]. In our opinion, thinking about financial investments here, it is said that the importance of stock markets is high. In the conditions of Uzbekistan, the development of the securities market in the conditions of market relations is an urgent issue today.

It should be noted that a number of authors have one-sided scientific opinions when analyzing the characteristics of regional development of investment activities. They evaluate the effect of the investment objects implemented at the expense of the state centralized investments as “significantly strengthened their economic potential as a result of the implemented intensive investment policy” [3], and at the same time, in the current period, the regions with less centralized investments are classified as they come to the conclusion that "weakly implemented market relations and weak infrastructural networks investment activity in developed regions is at a low level". Coming to such conclusions is an incentive for the reader to make unfounded conclusions.

This article examines the scientific works of the economists of Uzbekistan and foreign countries, devoted to the analysis of investment activities, the formation of state investment policy, the implementation of investment projects, and the analysis of sources that provide financial support for the implementation of investment relations. As a research methodology, comparative literature analysis, logical and structural analysis, grouping and comparative comparison, economic-statistical analysis and hypothesis substantiation methods were used.

State management of investment activity is currently carried out mainly by directing financial resources to state target programs and other state needs determined in accordance with the laws of the Republic of Uzbekistan. In general, public investments are considered to be less effective, as they are mostly directed to the development of non-productive sectors. In addition, due to the limited budget funds, it is not possible to implement them in large quantities in the current conditions. The budget resources of the state are primarily directed to the implementation of targeted investment programs for the development of the country and regions.

Centralized investments are only directed to the priority areas of the economy of the republic, the implementation of state-targeted programs and interstate agreements, housing construction, water management construction, the development of engineering infrastructure of residential areas, state administration bodies, defense and law enforcement to ensure social protection of the needy sectors of the population. It will be allocated to the development and strengthening of the material and technical base of administrative bodies, the construction of objects of science, education, healthcare, sports, culture and other branches of social infrastructure, the implementation of state-wide nature protection measures and the construction of facilities for protection against natural disasters.

Without funds from the state budget, social networks cannot develop effectively. The state allocates up to 80% of its centralized financial resources in the state budget to meet the urgent needs of education, healthcare, culture, science, housing and state construction. The remaining 20% of the centralized financial funds will be used to encourage local and foreign private investments in the production sector.

Sources of financing investment activities, their composition and their transformation in the conditions of market relations. Because the composition of financial resources will not increase extensively, but it is necessary to search for ways to use them intensively and efficiently. For this purpose, it is necessary to analyze their structural structure in depth and direct it to objects of income generation with the rational use of market infrastructures. On the other hand, considering financial resources not only as a source of income in the current coronavirus pandemic, but also avoiding spending money on inactive activities in order to use existing resources wisely is a form of social protection.

The behavior in such a principle is certainly different in centralized money funds and different in non-centralized money funds. From this point of view, the composition of financial resources is analyzed according to classification signs. In economic literature, financial sources are classified according to their compositional elements (Table 1).

We consider the composition (elements) of centralized and decentralized financial resources according to their classification [4].

Capital investments are reflected in table 2 under the analysis of sources of financing of centralized and decentralized investments. In January-September 2020, 138.1 trillion soums of fixed capital investments were absorbed, 63.7% of them or 88.0 trillion soums. 36.3% or 50.1 trillion soums were financed from the funds raised, from the own funds of the enterprise, organization and population. Soum was financed.

In the volume of total investments, the share of capital investments financed from centralized financing sources decreased by 6.7 percentage points compared to the share in the corresponding period of the previous year and reached 21.8% or 30,178.7 billion. amounted to soum.

Table 1

According to the classification of financial sources constituent elements [5]

Structural elements	Structural elements of financial resources
According to sources of origin	Internal sources: depreciation deductions, economic entities income, population funds, budget provision, bank loans, the domestic market of securities, taxes, leasing. External sources: intergovernmental loans, foreign investments, valuable international market of papers.
According to property relations	Financial resources of economic entities, attracted (population, funds of foreign investors, etc.) resources, loan funds (funds of the state, credit-bank and insurance systems), budget funds received with the condition of return and non-return.
According to types of ownership	State investment resources (amount of budget and extra-budgetary funds, state loans, stock packages and other fixed and revolving funds, state-owned property, etc.); investments, including financial investments, resources of economic entities, as well as natural persons, etc.; investment resources of foreign investors (foreign countries, international financial and investment institutions, individual organizations, institutional investors, banks, credit institutions)
According to the level of ownership	At the state level: own funds of budgets and extra-budgetary funds; attracted funds of the state credit-bank and insurance systems; international government loans (external debt of the state), government bonds, loans and other loans (loan funds in the form of internal debt of the state). At the level of organizations: own funds (income, amortization allowances, insurance sums for the recovery of losses, fixed and circulating funds and the immobilization surplus of intangible assets; funds raised, including contributions and money from the sale of shares, and these funds. budget, bank and commercial credits Loans in the form of loans (with and without interest, on the basis of repayment and non-repayment); At the investment project level: the budget of the country, regions and their entities, funds from extra-budgetary funds; the amount of economic entities; foreign investments of various types.

Source: The Law of the Republic of Uzbekistan “On Investments and Investment Activities” dated December 25, 2019

Accordingly, 107,927.9 billion from decentralized financing sources. soums or 78.2% of the total investments were absorbed, which increased by 6.7% compared to the indicator in the corresponding period of last year. In January-September 2020, investments in fixed capital financed from the own funds of enterprises and organizations - 37916.3 billion. soums or 27.5% of the total fixed capital investments. 8.8% or 12,157.2 bln. sum was absorbed. The volume of investments absorbed at the expense of direct foreign investments is 15,086.1 billion. amounted to soums and decreased by 5.0% compared to the corresponding period of the previous year and amounted to 10.9%. In conducting the country's investment policy, attention is also paid to the issues of technical and technological structural change of production industries.

Table 2

Increased investments in fixed capital (January-September 2020) [6]

№	Indicators	Billion sum	Growth rate in %	In relation to the total volume, %	
				2019	2020
	Total	38106,6	91,3	100,0	100,0
1.	**Centralized investments:**	**30178,7**	**70,3**	**28,5**	**21,8**
1.1	Republic budget	8987,5	69,9	8,5	6,5
1.2	Fund for the development of water supply and sewage systems under the Ministry of Finance	1365,5	99,7	0,9	1,0
1.3	Physical education and sports development fund	-	-	-	-
1.4	Recovery and Development Fund	1365,7	20,7	4,4	1,0
	including mln. in US dollars	137,4	20,2	-	-
1.5	Foreign loans under the guarantee of the Republic of Uzbekistan	18460,0	83,4	14,7	13,3
	including mln. in US dollars	1857,0	81,6	-	-
2.	**Decentralized investments:**	**107927,9**	**99,6**	**71,5**	**78,2**
2.1	Enterprise funds	37916,3	116,3	21,6	27,5
2.2	Population funds	12157,2	79,8	9,8	8,8
2.3	Direct, other and unsecured foreign loans	38132,7	103,3	24,4	27,6
	including mln. in US dollars	3835,9	101,0	-	-
	of which:				
2.4	Foreign direct investments	15086,1	63,0	15,9	10,9
	including mln. in US dollars	1517,6	61,5	-	-
2.5	Commercial bank loans and other debt funds	19721,7	83,4	15,7	14,3

Sources: data of Statistics Agency under the President of the Republic of Uzbekistan; (www.stat.uz).

If there is one direction of restructuring the Constituent sectors of production, arming them with modern means of production, attracting foreign direct investment, then the second direction is the formation of foreign direct investments in new productions, namely the automotive, electronic, electrical industry. The latest technologies are being introduced in the construction industry, communication network system and rural agriculture.

Table 3.

Investments in fixed capital by type of economic activity (January-September 2020)

№	Indicators	Billion sum	In relation to the total volume, %	
			2019	2019
1.	**Investments in fixed capital-total**	**138106,6**	**100,0**	**100,0**
	including by type of economic activity:			

1.1	agriculture, forestry and fisheries	11971,8	8,4	8,7
1.2	mining industry	14186,7	8,1	10,3
1.3	manufacturing industry	44586,8	27,1	32,3
1.4	electricity, gas, steam and condensed air	7881,2	11,7	5,7
1.5	water supply, sanitation, waste collection and reuse	2315,6	2,3	1,7
1.6	construction	5608,0	5,6	4,1
1.7	wholesale and retail trade, repair of motor vehicles and motorcycles	6269,1	3,3	4,5
1.8	transportation and storage	7437,4	5,5	5,4
1.9	accommodation and food services	1655,8	1,5	1,2
1.10	information and communication	3494,5	1,6	2,5
1.11	finance and insurance activities	1398,6	0,8	1,0
1.12	professional, scientific and technical activities	2366,0	1,4	1,7
1.13	education	3649,0	2,9	2,6
1.14	health and social services	4080,0	2,2	3,0
1.15	arts, entertainment and recreation	2225,0	1,1	1,6
1.16	investments in housing construction	13124,1	11,6	9,5
1.17	other activities	5857,0	4,9	4,2

Sources: data of Statistics Agency under the President of the Republic of Uzbekistan; (www.stat.uz).

When the data of Table 3 is analyzed, the processing industry is leading in the structure of investments in fixed capital by types of economic activity. 44,586.8 billion from the total sources of financing in this type of economic activity. 32.3% of the investment in the sum or total fixed capital was appropriated. In its structure, the 3 types of activities in which the most investments are absorbed are as follows:
- production of textile products - 11,186.9 bln. soums (8.1% share in total capital investments)
- production of other non-metallic mineral products - 9,634.1 billion. soums (7.0%);
- metallurgical industry - 8,187.2 bln. soums (5.9%).

A total of 14,186.7 billion soums or 10.3% of the total investments in the country were absorbed in the mining industry, and 7.7% or 10,610.9 billion of its structure soum belongs to the field of crude oil and natural gas production.

Today, due to the coronavirus pandemic, there is an inconsistency in the economic policies of the states. In January-September 2020, a decrease in investment activity was observed, and the growth rate of the volume of investments in fixed capital compared to the corresponding period of the previous year was 91.3% [7].

Due to the coronavirus pandemic, the world's leading countries have developed programs to combat the crisis and formed sources of funding for the measures provided for in these programs. In particular, 2.3 trillion was allocated to the program to combat the crisis in the United States, where the spread of the coronavirus infection was observed the most. (11% of GDP), Germany 189.3 billion (4.9% of GDP), China 168.7 billion (1.2% of GDP), Canada 145.4 billion (8.4% of GDP) , Australia 133.5 billion (9.7% of GDP), Japan, where coronavirus infection is relatively rare, 5.2 billion, Argentina 4.45 billion. and Indonesia 2.2 billion. allocated funds equal to US dollars. Over time, we evaluate the results of the G20 countries' anti-crisis programs [8].

In fact, the pandemic did not fail to show its consequences to the economy of Uzbekistan. Taking into account that the sharp reduction in production and consumption volumes in the countries with the largest economies, the derailment of global production chains and trade relations, the decrease in the prices of raw materials in the world financial markets, and the deterioration of the economic situation will also affect the economy of Uzbekistan, which is part of the global economic system, and mitigate the negative effects In order to take effective preventive measures against the crisis, a fund for combating the crisis (10 trillion soums) was established [9].

However, whilst these may be "traditional" ways of raising funds, they are by no means the only ones. There are many more sources available to companies who do not wish to become “public” by means of share issues. These alternatives include bank borrowing, government assistance, venture capital and franchising. All have their own advantages and disadvantages and degrees of risk attached [10].

Sources of funds

A company might raise new funds from the following sources:

The capital markets:

i) new share issues, for example, by companies acquiring a stock market listing for the first time

ii) rights issues

Loan stock

Retained earnings

Bank borrowing

Government sources

Business expansion scheme funds

Venture capital

Franchising.

Ordinary (equity) shares

Ordinary shares are issued to the owners of a company. They have a nominal or 'face' value, typically of $1 or 50 cents. The market value of a quoted company's shares bears no relationship to their nominal value, except that when ordinary shares are issued for cash, the issue price must be equal to or be more than the nominal value of the shares.

Deferred ordinary shares are a form of ordinary shares, which are entitled to a dividend only after a certain date or if profits rise above a certain amount. Voting rights might also differ from those attached to other ordinary shares.

Ordinary shareholders put funds into their company:

a) by paying for a new issue of shares

b) through retained profits.

Simply retaining profits, instead of paying them out in the form of dividends, offers an important, simple low-cost source of finance, although this method may not provide enough funds, for example, if the firm is seeking to grow.

A new issue of shares might be made in a variety of different circumstances:

a) The company might want to raise more cash. If it issues ordinary shares for cash, should the shares be issued pro rata to existing shareholders, so that control or ownership of the company is not affected? If, for example, a company with 200,000 ordinary shares in issue decides to issue 50,000 new shares to raise cash, should it offer the new shares to existing shareholders, or should it sell them to new shareholders instead?

i) If a company sells the new shares to existing shareholders in proportion to their existing shareholding in the company, we have a rights issue. In the example above, the 50,000 shares would be issued as a one-in-four rights issue, by offering shareholders one new share for every four shares they currently hold.

ii) If the number of new shares being issued is small compared to the number of shares already in issue, it might be decided instead to sell them to new shareholders, since ownership of the company would only be minimally affected.

b) The company might want to issue shares partly to raise cash, but more importantly to float' its shares on a stick exchange.

c) The company might issue new shares to the shareholders of another company, in order to take it over.

New shares issues

A company seeking to obtain additional equity funds may be:

a) an unquoted company wishing to obtain a Stock Exchange quotation

b) an unquoted company wishing to issue new shares, but without obtaining a Stock Exchange quotation

c) a company which is already listed on the Stock Exchange wishing to issue additional new shares.

The methods by which an unquoted company can obtain a quotation on the stock market are:

a) an offer for sale

b) a prospectus issue

c) a placing

d) an introduction.

Offers for sale:

An offer for sale is a means of selling the shares of a company to the public.

a) An unquoted company may issue shares, and then sell them on the Stock Exchange, to raise cash for the company. All the shares in the company, not just the new ones, would then become marketable.

b) Shareholders in an unquoted company may sell some of their existing shares to the general public. When this occurs, the company is not raising any new funds, but just providing a wider market for its existing shares (all of which would become marketable), and giving existing shareholders the chance to cash in some or all of their investment in their company.

When companies 'go public' for the first time, a 'large' issue will probably take the form of an offer for sale. A smaller issue is more likely to be a placing, since the amount to be raised can be obtained more cheaply if the issuing house or other sponsoring firm approaches selected institutional investors privately.

Rights issues

A rights issue provides a way of raising new share capital by means of an offer to existing shareholders, inviting them to subscribe cash for new shares in proportion to their existing holdings.

For example, a rights issue on a one-for-four basis at 280c per share would mean that a company is inviting its existing shareholders to subscribe for one new share for every four shares they hold, at a price of 280c per new share.

A company making a rights issue must set a price which is low enough to secure the acceptance of shareholders, who are being asked to provide extra funds, but not too low, so as to avoid excessive dilution of the earnings per share.

Preference shares

Preference shares have a fixed percentage dividend before any dividend is paid to the ordinary shareholders. As with ordinary shares a preference dividend can only be paid if sufficient distributable profits are available, although with 'cumulative' preference shares the right to an unpaid dividend is carried forward to later years. The arrears of dividend on cumulative preference shares must be paid before any dividend is paid to the ordinary shareholders.

From the company's point of view, preference shares are advantageous in that:

Dividends do not have to be paid in a year in which profits are poor, while this is not the case with interest payments on long term debt (loans or debentures).

Since they do not carry voting rights, preference shares avoid diluting the control of existing shareholders while an issue of equity shares would not.

Unless they are redeemable, issuing preference shares will lower the company's gearing. Redeemable preference shares are normally treated as debt when gearing is calculated.
The issue of preference shares does not restrict the company's borrowing power, at least in the sense that preference share capital is not secured against assets in the business.
The non-payment of dividend does not give the preference shareholders the right to appoint a receiver, a right which is normally given to debenture holders.
However, dividend payments on preference shares are not tax deductible in the way that interest payments on debt are. Furthermore, for preference shares to be attractive to investors, the level of payment needs to be higher than for interest on debt to compensate for the additional risks.
For the investor, preference shares are less attractive than loan stock because:
they cannot be secured on the company's assets
the dividend yields traditionally offered on preference dividends has been much too low to provide an attractive investment compared with the interest yields on loan stock in view of the additional risk involved.
According to world experience, only high rates of savings and investments are not enough for economic growth in the current period.
At the stage of transition to a market economy, due to the lack of savings and the small contribution of public funds to gross investments, it becomes an objective necessity to attract external sources of investment financing and to regulate investment activities. This requires improvement of the existing legislation towards simplification and stabilization, encouraging the arrival of foreign direct investments in the country to establish new projects and joint ventures. In order to expand the flow of foreign direct investment, it is appropriate to apply all kinds of exemptions and preferences from customs fees, taxes, and fees to foreign investors until they acquire production capacities. It is preferable to make each direct foreign investment after the full utilization of production capacities, with special application of the preferential taxation procedure. Incentive mechanisms should be directed to the implementation of projects that cover foreign exchange costs and projects based on local raw materials.
In order to expand the flow of foreign direct investment, it will be advisable to apply taxes, customs duties, benefits and preferences from fees in all respects until foreign investors fully absorb their production capacity. When introducing foreign direct investments, it is desirable to carry out after they have fully mastered the production capacity, using the preferential taxation procedure separately. The problems of independent and free determination of economic entities on the basis of innovations in their areas of activity are solved in accordance with market relations.
The effective use of the stimulating functions of taxes in the regulation of investment activities leads to the expansion of the role of market mechanisms in financing investments.
In the regulation of the activities of investment policy, it is understood to unify foreign capital by ensuring the priority of the network through effective economic mechanisms. At the same time, this mechanism is carried out through the regulatory function of taxes. This can focus on encouraging investments aimed at renewing the capital of production enterprises in both the state and non-state sectors.
The increase in the volume of funds from the outside to finance investment activities at the expense of funds from international financial institutions and financial organizations of foreign governments, foreign direct investments and other decentralized sources will have a high effect.

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