



## THEORETICAL PRINCIPLES OF USING INVESTMENTS IN BUSINESS SUBJECTS

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### ABSTRACT

*The article describes the essence of small business and private entrepreneurship, the factors affecting the development of this sector, its prospects, as well as the performance indicators of the service sector in small business and private entrepreneurship, the issues of development of the service sector in small business and private entrepreneurship based on the study of its theoretical and practical problems.*

### INTRODUCTION.

In most OECD countries, SMEs account for 60-70% of employment, particularly in wholesale and retail trade and in the hotel and restaurant services sector in general, and they account for a disproportionately large share of new jobs. For comparison, it can be noted that the share of small and medium-sized businesses in the GDP of developed countries is 50-60%, including in Poland - 51%, in Germany - 53%, in Finland - 60%, in the Netherlands - 63%<sup>1</sup>. In fact, the US government estimates that there are more than 32 million small businesses in the United States – about 99% of all businesses in America<sup>2</sup>.

The need to pay some attention to the issues of investment processes implemented in enterprises and to study this topic is a direct result of the important role of enterprises in the economy, in particular, paying special attention to business entities. From the point of view of the enterprise, it is very important to achieve economic efficiency as a result of the investments made. The purpose of the conducted research is mainly to analyze the results of specific investments in enterprises in Namangan region in two groups of subjects - enterprises that have made foreign investments and enterprises that have financed investments from local sources.

Investment decisions play a key role for the further activity and development of business entities, which involves the freezing of financial resources for a longer period of time, while the consequences of their use are observed only in the long term, and they, in turn,

<sup>1</sup>Small businesses, job creation and growth: Facts, obstacles and best practices  
<https://www.oecd.org/cfe/smes/2090740.pdf>

<sup>2</sup> 10 Most Popular Small Businesses (2021). // <https://www.mightycall.com/blog/10-popular-small-businesses/>



should lead to the consequences of improving the competitive position of this enterprise in the market. Incomes achieved by business entities will be economic, organizational or social in nature. This means that investments must be directly combined with the intention of developing the enterprise, which is defined as a more profitable situation than the current one.

Many studies pay attention to the subjects of entrepreneurial activity and emphasize that the enterprises of this sector play an important role in the national economy and thus become the driving force of the development of the entire economy<sup>3</sup>. In order to create the best conditions for the organization and development of business entities and to encourage entrepreneurial behavior, financial instruments are used as a source of implementation of merger policy. In this regard, entrepreneurs can use operational programs in individual support areas to receive non-refundable subsidies.

The financial assistance given to business entities in the competitive regime is to help them in difficult competitive conditions, to encourage the entities to develop and to strengthen the economic stability of the region where the enterprise operates. Financial resources of operating programs of established savings funds are a valuable source of external financing for business entities.

The potential for increased private sector participation is greater in some sectors than others, including infrastructure sectors such as energy and renewable energy, transport, water and sanitation, under the right conditions and with appropriate safeguards for greater private sector participation. While other sectors are sensitive to private sector involvement, education and health are less likely to attract significant private sector interest because of the difficulty of developing attractive risk-return models for private investors, or because they are core and highly public service responsibilities.

And this, in turn, state investment remains the main and important issue of today. However, since it is unrealistic to expect the public sector to meet all financing requirements in many developing countries, strategic initiatives to increase private sector participation are crucial. The direction and distribution of investments plays an important role in the development and reconstruction of the country's economy.

It is appropriate to pay special attention to sectors related to BRM. Such strategic investment promotion initiatives should eliminate the main limitations in directing funds to sustainable development projects, and ensure that investments go to specific projects in developing countries, especially in less developed countries. They must do so in the context of an overall favorable environment for investment, with appropriate safeguards. These safeguards are particularly important because the increasing involvement of private investors in BRM-related sectors, many of which are sensitive or of a public service nature, leads to a number of policy dilemmas.

The first dilemma is related to the risks associated with increased private sector participation in sensitive sectors. The provision of private sector services in health and

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<sup>3</sup> Van Stel, André, Martin Carree, and Roy Thurik. 2005. The Effect of Entrepreneurial Activity on National Economic Growth. *Small Business Economics* 24: 311–21.; Bosma, Niels, and Veronique Schutjens. 2007. Patterns of Promising Entrepreneurial Activity in European Regions. *Tijdschrift Voor Economische En Sociale Geografie* 98: 675–86.; Al-Tit, Ahmad, Anis Omri, and Jalel Euch. 2019. Critical Success Factors of Small and Medium-Sized Enterprises in Saudi Arabia: Insights from Sustainability Perspective. *Administrative Sciences* 9: 32.



education in developing countries can adversely affect standards unless strong governance and oversight is in place, which in turn requires competent institutions and technical capacity. Private sector participation in critical infrastructure sectors such as energy and water supply can be sensitive in developing countries, implying the transfer of public sector assets to the private sector. Private sector operations in infrastructure such as water and sanitation are particularly sensitive due to the basic needs nature of these sectors (Figure 1).

The second dilemma presented in Figure 1 stems from the need to keep quality services affordable and accessible to all. A major obstacle to increasing private sector contributions to investments in BRM-related sectors is the insufficient risk profile of many such investments. There are many mechanisms for private sector investors to share risks or otherwise improve their risk-return profile. However, increased income should not mean that the services provided by private investors eventually become unavailable or unaffordable for the poorest sections of society.

Allowing energy or water suppliers to cover only economically attractive urban areas while ignoring rural needs, or increasing the cost of basic services, is not a sustainable outcome.

A third dilemma arises from the respective roles of public and private investment. Although the lack of public sector financing in key sectors favors increased private sector investment, public sector investment remains key and crucial.

Governments - through the development of policies and regulations - should be ultimately responsible for the delivery of essential public services and the overall strategy for the sustainable development of the country's economy.



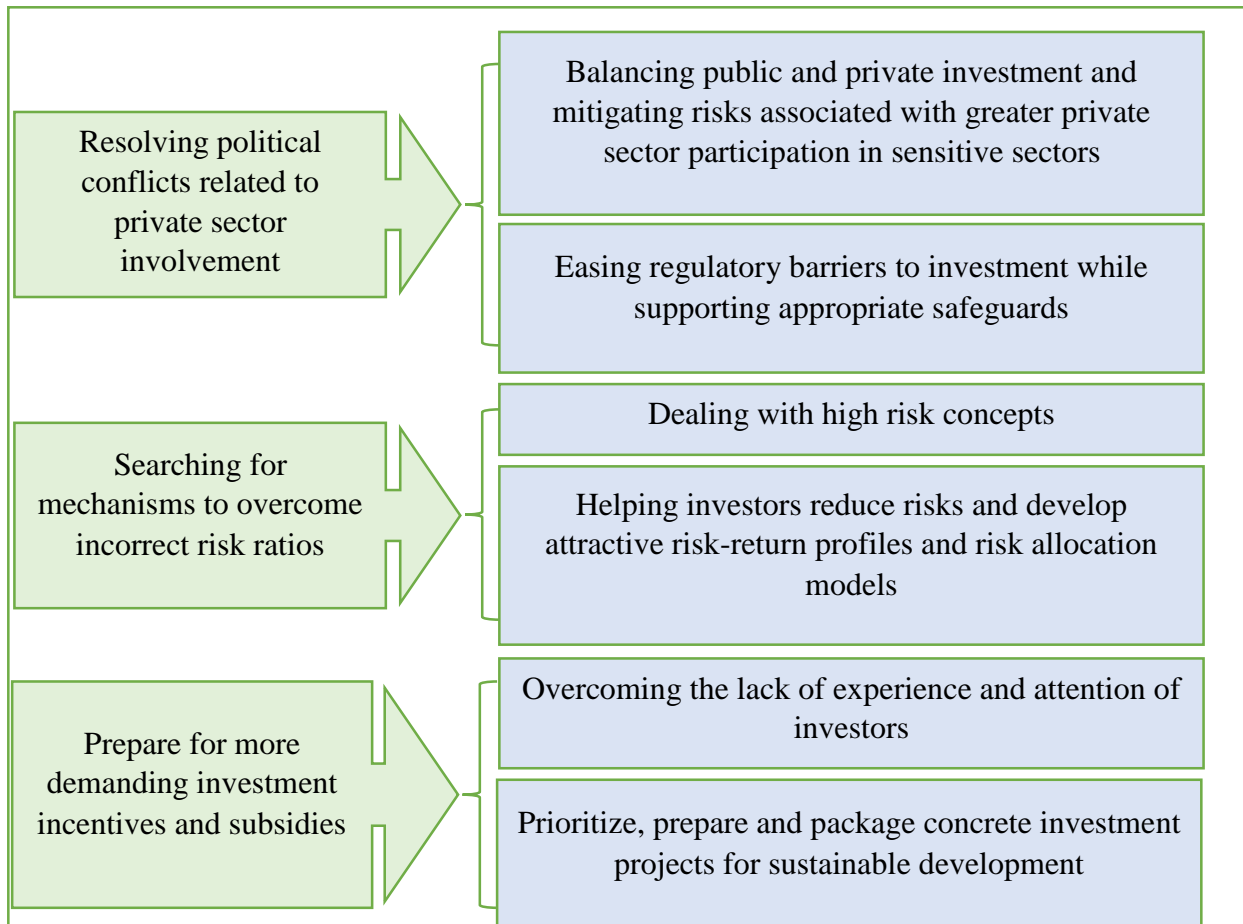
Network	Description
Power	Investments in electricity generation, transmission and distribution.
Transportation	Investments in roads, airports, ports and railways.
Telecommunications	Investments in infrastructure (landline, mobile and internet).
Water and sewage	Supply of water and sewerage to industries and households.
Food security and agriculture	Investing in agriculture, research, rural development, safety nets, etc.
Climate change mitigation	Investment in appropriate infrastructure, renewable energy generation, research and implementation of climate-friendly technologies, etc.
Adapting to climate change	Investments in agriculture, infrastructure, water management, coastal zones and more to address the effects of climate change.
Ecosystems/biodiversity	Investing in ecosystem conservation and protection, marine resource management, sustainable forestry, and more.
Health	Infrastructure investments, especially new hospitals, new treatment facilities, etc.
Education	Infrastructure investments, especially new schools, new training facilities, etc.
Business entities	Infrastructure investments, in particular, new business entities, new products, etc.

**Figure 1. Priority sectors for sustainable development goals<sup>4</sup>**

These dilemmas are reflected in the main limitation of channeling funds to BRM-related sectors in the form of regulatory barriers. Investing in sustainable development projects can be hindered by unfavorable investment climates associated with specific target sectors. Investors in these sectors often face certain regulatory, administrative or other policy barriers. Some sectors may be closed to private investors in general, and foreign investors in particular. Another major limitation often comes in the form of an insufficient risk-reward ratio.

<sup>4</sup> Compiled by the author as a result of research

Risks associated with sustainable development investment projects can occur at the country and policy level, that is, at the legal protection of investments, at the market or sector level, and at the financial project level. In particular, investments in agriculture or infrastructure are subject to uncertainty and concerns related to local demand, population spending capacity, access to or ownership of the necessary resources, and very long payback periods. As a result, investors, especially those who are not used to investing in the relevant sectors of developing countries, often require high barrier returns for investments in countries with high (perceived or real) risks (Figure 2).



**Figure 2. Policy challenges in promoting investment in sectors related to the Sustainable Development Goals<sup>5</sup>**

A final limitation relates to the more demanding investment promotion and facilitation process required for sustainable development investment projects. Currently, there is a lack of information on effective packaging and promotion of targeted investment projects. Investment opportunities in commercial activities are usually in well-defined industrial zones, location options can be predetermined, and the investment process and related regulations are clearly defined, and the process for investors to assess the risks and potential financial returns from investing in their sector of BRM-related industries is more complex.

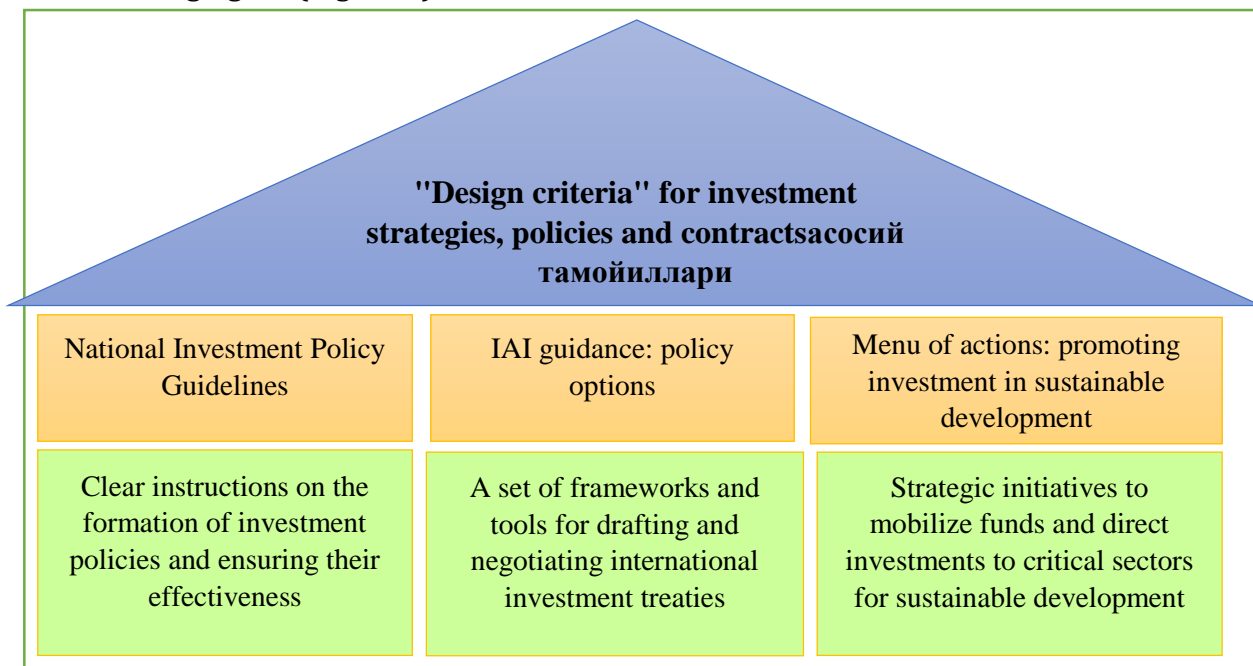
Investment projects in areas such as infrastructure, energy, and health involve a prior political process, where political priorities must be set, regulatory preparation and feasibility studies must be carried out. Also, smaller projects may not easily provide the scale that larger

<sup>5</sup> Compiled by the author as a result of research

investors require. In addition, commercial investments are often "push" in nature, with investors looking for opportunities, unlike sustainable development projects, which can be more "pull" in nature, helping to generate investment opportunities through local needs.

Therefore, effective advertising and information provision is even more important, and investors face more difficulties in evaluating potential investment risks and returns in order to meaningfully compare the performance of information and investment criteria. It is more important because many investors do not have experience in preparing and marketing a more complex investment project. Private sector investors, who often aim to attract developing countries to major projects such as infrastructure or energy, typically do not engage in direct investment in these countries or sectors.

To address these above-discussed challenges, the United Nations Conference on Trade and Development (UNCTAD) has developed a comprehensive investment policy framework for sustainable development, which includes key principles for investment policy development, guidelines for national investment policies, and how policymakers can participate in international investment. instructions are available. There is an action menu of strategic investment promotion initiatives that will help direct investments to priority sectors for sustainable development and policy regime in the form of options for the development and use of the Institute of Internal Auditors (IAI) and it is appropriate to express it through the following figure (Figure 3).



**Figure 3. Action menu of strategic investment promotion initiatives<sup>6</sup>**

The three operational elements of UNCTAD's investment policy framework are closely related – all three fall under the umbrella of key principles in Figure 1.2.3. National and international investment policies should be consistent. Strategic investment promotion initiatives aimed at channeling more private investment into priority sectors for sustainable

<sup>6</sup> Compiled by the author as a result of research



development depend on favorable policy frameworks and safeguards established by national and international investment policies.

By combining best practices, it determines the criteria for assessing the quality of the country's political environment for foreign investments - the UNCTAD investment policy framework distinguishes itself in several ways, taking into account that a single policy framework cannot solve the specific investment policy problems of individual countries.

In the effective use of any investments attracted for the sustainable development of business entities, the main goal of investment policy development is to encourage investments for inclusive growth and sustainable development, and the principles are divided into the following classifications (Table 1).

**Table 1**  
**Principles of investment for sustainable development goals<sup>7</sup>**

<b>Principles</b>	<b>Requirements for principles</b>
<b>1.Policy consistency</b>	Investment policy should be based on the overall development strategy of the country. All policies affecting investment should be coherent and synergistic at the national and international levels.
<b>2.Other state bodies and institutions</b>	Investment policies should be developed inclusive of all stakeholders and embedded in an institutional framework based on the rule of law that adheres to high standards of public governance and provides predictable, efficient and transparent procedures for investors.
<b>3.Dynamic ink development</b>	Investment policy should be regularly reviewed for effectiveness and relevance and adapted to changing development dynamics.
<b>4.Balanced rights and obligations</b>	Investment policy should be balanced in defining the rights and obligations of countries and investors in the interests of development for all.
<b>5.Right to rectification</b>	Each country has the sovereign right to establish the conditions of entry and operation of foreign investments, taking into account international obligations, in order to minimize possible adverse effects.
<b>6.Openness to investment</b>	In accordance with the development strategy of each country, the investment policy should create open, stable and predictable access conditions for investments.
<b>7.Protection and ranking of investments</b>	The investment policy should provide adequate protection to established investors. Treatment of designated investors should not be discriminatory.
<b>8.Encouragement of investments</b>	Investment promotion and facilitation policies should be consistent with sustainable development goals and aimed at minimizing the risk of harmful competition for investment.
<b>9.Corporate governance and accountability</b>	Investment policy should facilitate and support the adoption and adherence to international best practices of corporate social responsibility and good corporate governance.
<b>10.International cooperation</b>	The international community should cooperate in solving common investment policy problems, especially in less developed countries. Also, collective efforts should be made to avoid investment protectionism.

<sup>7</sup> Compiled by the author as a result of research



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