

THE ECONOMIC ESSENCE OF INVESTMENTS, THEIR SOURCES AND FACTORS

Raxmatova Sug'diyona

1st-year student, Profi university

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Abstract. This article comprehensively and systematically examines the economic essence of investments, their role in the development of society and the national economy, their sources of formation, and the main factors influencing investment activity. Issues such as ensuring economic growth through investments, modernizing production, and accelerating innovative development are analyzed on a scientific and theoretical basis.

Keywords: investment, capital investments, economic growth, investment climate, financial resources, risk, profitability, internal and external investments.

Investments are an integral part of the modern economy and play a decisive role in the sustainable development of any country. In economic theory and practice, the concept of investment is broadly understood as all types of material, financial, and intellectual resources invested in various sectors of the economy with the aim of generating future income or achieving social benefits. Investments not only expand production capacity but also enable the efficient use of existing resources, the introduction of new technologies, and the development of innovative activities. In this regard, investments act as the main driver of economic growth. The economic essence of investments is primarily determined by their role in the reproduction process. In any economy, means of production become obsolete over time, creating the need for renewal and modernization. It is investments that ensure the continuity of this process. In addition, investments strengthen social stability by creating new jobs, increasing employment, and raising incomes. At the same time, the expansion of investment activity contributes to the development of the domestic market, increases export potential, and enhances the international competitiveness of the national economy. The sources of investment formation are diverse and are generally divided into internal and external sources. Internal sources include financial resources generated within the country, such as the net profits of enterprises, depreciation funds, household savings, and state budget funds. Internal investments play an important role in ensuring economic independence, as they are less dependent on external factors. At the same time, external investments are also of great importance for economic development. In particular, foreign direct investments, loans from international financial institutions, and funds from foreign banks facilitate the inflow of advanced technologies, management experience, and innovative solutions into the country. This, in turn, leads to the modernization and diversification of the economy. The effectiveness of investment activity depends on many factors, each of which directly or indirectly influences investors' decisions. Among economic factors, the level of inflation, interest rates, tax policy, and the stability of the national currency play a significant role. For example, high inflation increases investment risk, while a stable macroeconomic environment strengthens investor confidence. Political factors are also important in the investment process, including political stability, the strength of the legal system, and the protection of investors' rights. Social factors, such as income levels, employment, and consumer demand, determine the profitability of investment projects. Technological factors are related to the level of innovation and scientific and technological progress, shaping new directions for investment.

It should be noted that the more favorable the investment climate, the greater the volume of investments. To create a favorable investment climate, it is necessary for the state to implement effective economic policies, improve the legal framework, and develop infrastructure. In particular, tax incentives, customs privileges, and guarantees provided to investors are important tools for increasing investment flows. At the same time, reducing investment risks, developing financial markets, and ensuring the stability of the banking system are also of great importance. In conclusion, investments are one of the most important factors of economic development, and their effective management ensures the long-term growth of a country. By expanding investment sources, allocating them rationally, and improving the investment climate, it is possible to achieve economic growth. Therefore, improving investment policy, strengthening cooperation between the public and private sectors, and supporting innovative activities are among the most urgent tasks today.

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