

Article

Investment - an Important Factor in the Development of Small Business

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Abstract: This scientific article examines investments as an important factor in the development of small business in our country, describes its essence, meaning and objectives. The views, definitions and characteristics of foreign and domestic economists on investments are given, international experience is studied and analyzed. The author's approaches to investments as an important factor in the development of small business, as well as proposals and recommendations for the effective use of investments are presented. At the same time, measures were developed to improve the investment environment in the country, as well as proposals to improve the investment environment and increase their effectiveness.

Keywords: small business, business environment, investments, investment sources, investment resources, investment environment, foreign direct investment, internal and external investment factors.

Introduction

The importance of small business is increasing in a period of rapid development of free economic competition processes based on globalization and market relations in the world in ensuring economic stability. The reason is that small business, as an economic activity that does not require a lot of capital, is important for the formation of the economy with the efficient use of resources, as it solves the demand for consumer goods and services in a quick and economical way. It can have a positive impact on the market situation by being able to quickly and easily adapt to changes in consumer demands. Small business is the essential source of any country's economic growth and development. For example, the majority of American and European enterprises belong to the "small" and "medium" categories, their share in GDP is 50-60%. According to the Institute of Growth Economics, the small and medium-sized businesses' share in GDP in Great Britain is 51%, in Germany - 53%, in Finland - 60%, in the Netherlands - 63%" [1]. In our country, the share of small business entities in GDP is more than 51%. Therefore, not only in our country, but throughout the world, attention is being paid to ensuring economic stability by developing small businesses and increasing their efficiency. Investment is currently one of the key drivers for small business development and sustainable growth in the country today.

In recent years, investment activities' expansion in the field of small business, diversification of the source of investment resources are important tasks. Effective implementation of such tasks is related to the financing of small business enterprises, including investment lending, and improving the efficiency of investment programs. This requires further improvement of the investment environment of small business entities.

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The President of the Republic of Uzbekistan stated, "We will achieve rapid development of our economy only by actively attracting investments and launching new production facilities" [1]. From this perspective, the development of small businesses and entrepreneurship necessitates the expansion of production sectors through innovative techniques and technologies, the widespread introduction of investments in the sector, and, at the same time, the supply of goods and services to the consumer market

Methods:

Today, the role of investments in the development of small business and entrepreneurship is incomparable. From the point of view of the research topic, we should first understand the meaning of the term "investment".

Investments are material and intangible assets and their rights, including intellectual property rights, as well as reinvestments, which are invested on the basis of risks in social, entrepreneurial, scientific, and other types of activities for profit, and may include the following:

- financial assets, such as foreign currency, bank deposits, stocks, bonds, and securities; - Physical assets, such as buildings, structures, machinery, and equipment.
- intellectual property rights, including technical, technological, commercial, and other knowledge formalized in the form of technical documents, skills and production experience, patented or unpatented (know-how), necessary for the organization of this or that type of production, as well as other valuables not prohibited by the Republic of Uzbekistan's legislation. [2].

To date, the term "investment" has not been given a single definition in the economic literature and by economists. The concept of "investment" has been interpreted, defined and described differently by researchers.

Including K.R. According to M.Connell and C. L. Brew, "investment is an increase in material resources, the accumulation of means of production and production costs" [3]. In our opinion, although these definitions of researchers do not fully express the concept of investment, they are semantically close to the concept of capital investment.

F.S. Tumusov says that "investment means the use of all social and individual capital in reproduction, not in current consumption, but as a part of income, and as a result, the ultimate goal is to obtain a new, slightly higher income or to achieve social efficiency in the future." , defined[4].

According to A.M. Lapteva, investments as a legal concept represent a set of benefits or benefits placed on business and other objects of activity in order to acquire profit and (or) achieve other useful results [5].

In our opinion, in the definitions given by the researchers above, it is said that socio-economic benefits can be achieved as a result of the future investment made in the economy.

At this point, many representatives of the national economy have also expressed their opinion in their research, defining investments.

For instance, A. Vakhobov, Sh. Khajibakiev, and N. Muminov define investments as funds directed toward business projects and various activities, encompassing bank deposits, shares, other securities, technologies, machinery, equipment, licenses, loans, as well as other assets, property rights, and intellectual property. [6].

At the same time, the classification of investment has an important place in the theory and practice of investment activity, and there are different views on this matter. For example, according to A.S.Bulatov, V.N.Jimirov, and Y.S.Melkumov, investments can be divided into three main groups according to their goals: financial investments, real investments, intellectual investments[7].

Having studied the definitions and descriptions of the above research scientists, we have given the author's definition of investment as follows: investment is an investment in financial (money), real capital or intellectual property for the purpose of launching activities in entrepreneurship and other activity objects and expanding reproduction in the future. is to profit.

In our opinion, we believe that this description of investments can be classified more widely according to its content, implementation activity and other aspects.

Based on the above classification of investments, they also have specific tasks. This, in turn, requires effective management of the country's investment policy. Attracting the flow of investments to the real sector of the economy, including small business, is one of the main factors that initiates a new stage of economic development. Therefore, since investments are a force that moves any economy, has a positive effect on its development, provides employment to the population, and contributes to the formation of their source of income, it is essential to maximize all available opportunities to boost the volume of investments directed into the economy.

From this viewpoint, processes such as market relations, multi-formation of property, development of entrepreneurship open the way for foreign legal entities and individuals to freely enter the country and establish economic relations with several developed and developing countries. In particular, cooperation in all spheres of economy is developing with South Korea, Germany, USA, France, Italy, Turkey, India, England and other similar countries. Well-known businessmen of these countries are expressing their interest in Uzbekistan.

At this point, we can conclude that our improvement of the basic knowledge and innovations related to investment activities, convenient location of production forces, and high infrastructure facilities in our regions will in most cases ensure a high flow of investments in these regions. This involves enhancing the appeal of the investment climate in our regions.

In fact, the goal of every investor is to make a profit by making an investment. It will certainly try to direct its investment to regions that are economically stable, rich in natural and social resources, generating knowledge and innovation, financial, management and logistics centers, transport routes and markets for high-end consumer goods. Therefore, every business entity in the country should prioritize enhancing the efficient use of investments, recognizing their unmatched importance in maintaining stable operations. It is of great importance to increase the efficiency of investment, to study the factors affecting it, to determine its indicators, and to develop appropriate conclusions based on their assessment. Therefore, today, research on investment efficiency is being studied by economists as a general economic problem.

For example, R.Paksiova, Z.Kubaschikova in their studies, "companies should direct investments to forms of asset production. The result of investments is an increase in production in the future, as well as an increase in income. In this case, the company is considered to have focused its investments on efficiency" [8].

In another source, "In the modern economy, investments play an important role, because they are one of the essential factors of economic rise. In the conditions of competition, the high level of development of each organization often depends on the level of its investment activity" [9].

Here, the authors, in addition to considering the investment role in the expansion of enterprise activity and its impact on economic efficiency, have shown that investment is an important factor in the enterprise's economic growth.

At this point, the modern representatives of our national economy also researched their scientific and theoretical views on the factors of investment efficiency in the field of small business.

In particular, according to M.E. Jorakhanov, the increase in the share of small business in investments will lead to an increase in the share of employment and an increase in the income of the population. This situation guarantees an increase in investment volume due to the growth in the population's financial contributions and the positive development of the labor factor. Additionally, several studies have been conducted domestically to attract foreign investments to the national economy and develop effective utilization strategies.

For example, A. Burkhanov examined the scientific and theoretical aspects of attracting foreign investments to various regions, addressing its challenges and proposing suggestions and recommendations to overcome them. [11]

Researcher S.R.Yakhshimurotova, emphasizing the need to further activate the attraction of foreign investments to our national economy and bring it to a new level, developed the measures that should be implemented in this regard[12].

R.H. Bozorov researched the factors and characteristics of the investment environment, the attraction of foreign investments, and the direct dependence of the national economy on international indices [13].

D.Sh.Bababekova, B.O.Tursunov's studies revealed the active investments' role in forming a competitive economy and foreign experience in paralyzing the economy through them, as well as the possibilities of its effective use [14].

At this point, if we look at the practice of developed countries, including the USA, Canada, Germany, Japan, France, and England, there is a government policy closed to small business brewing. In this country, 20-50 percent of the costs of small innovative businesses that start to engage in innovative activities are fully covered by the state[15].

In Japan, in cases where the company's share in the total capital is low compared to the bank's, the invested bank directly participates in the management of the company and has the main advantage. That is, the creditor appears as the capital owner of the enterprise even in the reorganization of the bank enterprise. This is believed to help prevent inefficient use of enterprise funds in Japan [16]. It can be seen that in foreign countries, the effectiveness of investments in developing small business and entrepreneurship is given a great attention. Therefore, in the national economy, it is appropriate to take a model from the optimal aspects of the investment policy of developed countries.

In addition, the concepts of "investment environment" and "attractiveness of investment environment" are widely interpreted in the scientific research conducted today, and there are new approaches to this issue. Investment climate and attractiveness is an important factor in increasing investment efficiency in small business.

In the research of foreign economists, these concepts are more commonly aligned with the term "business environment."

According to Dj. Downs and G. Elliot, "investment environment is defined as economic, financial and other conditions affecting the effectiveness of investments" [17].

M. Moore and H. Schmitts state that "enhancing the business environment (or investment environment) helps lower business operation costs, while improving the investment environment reduces the risks associated with capital investments." [18].

D. Gozibekov, one of our local economist-scientists, states that "the attractiveness of the investment environment is a set of guaranteed conditions and opportunities created for investors" [19], Sh. Mustafagulov explains in his research that "a country's overall investment attractiveness is the cumulative level of objective socio-economic, natural-geographical, and environmental indicators that characterize the conditions of its economic development and influence investment activity either positively or negatively." [20]. The investment environment is the conditions in which investment processes are carried out, it determines the investment activity of the region and the risk level of investments and is formed under the influence of political, economic, legal, social and other factors.

In his research, R. Bozorov emphasized that to enhance the attractiveness of the country's investment environment, it should increase its participation in international economic ratings and indexes. He highlighted that "determining a country's level of economic freedom through multi-faceted approaches and analyzing this economic freedom aids investors in directing investments. One such index related to the socio-economic sphere, used for this purpose, is the Index of Economic Freedom." [21].

It is no exaggeration to say that today our country has managed to create a unique investment climate. At the same time, the fact that the country is rich in resources and provides

ample opportunities for their extraction, processing, establishment of enterprises, modernization of existing ones, creates prerequisites for the influx of foreign investors. The reason is that every investor, when investing in a particular country, first of all pays attention to the investment climate, and the investment attractiveness of the country, in turn, guarantees the investor's trust. This will help to increase the efficiency of the use of investments in the country

Results

In our view, the investment climate can serve as a key factor in enhancing the efficiency of investments in the country's small business sector. Because the attraction of internal and external investments to the economy, including small business, directly depends on the investment environment. Increasing its attractiveness will increase the flow of foreign investments. For this, first of all, it is appropriate to establish a completely free economic society. Because, the investment environment and its attractiveness of this country are definitely important in making an investment decision by potential investors to invest in a national economy. It directly depends on the level of economic freedom of that country. In a free economic society, people have the right to work, produce, consume and invest as they wish.

Here, the investment environment is the economic, political, regulatory, social and other conditions that influence investment processes in the country. It is influenced by factors such as the country's mineral reserves, the qualifications and average wages of the labor force, the economic conditions, the capacity of the domestic market, the potential for exporting goods, the state of the credit system, taxation levels, the development of production and social infrastructure, government policies toward foreign capital, and the establishment of relatively favorable conditions. [22].

Based on the above, we can define the efficiency of investment in small business as follows: "With the establishment of a free economic society in the country, the effective use of free funds and other valuables of legal or public entities, improving the investment environment and increasing the attractiveness of local and foreign investments. is to maximally satisfy the unlimited demand for goods and services by focusing on small business"

It is important to highlight that, given the limited economic resources (regional wealth) available, the most effective way to expand our production capacity is through the efficient use of resources and the mobilization of additional capital resources grounded in advanced technology. To achieve this, we must develop and implement scientific proposals and recommendations that focus on enhancing the regional investment climate and boosting its appeal.

Investment risk is evaluated through a thorough and comprehensive analysis of the investment environment. There is an inverse relationship between the investment climate and risk levels: a more favorable investment environment results in lower entrepreneurial risk for investors, encouraging their participation. Conversely, an unfavorable investment environment raises risk levels, leading to higher costs for the investment recipient. Therefore, the quality of the investment environment is crucial for both investors and recipients.

Having studied the opinions and comments of the above researchers, the factors affecting investment activity and efficiency improvement in small business today can be divided into two groups and classified. We will see this in

Figure 2.

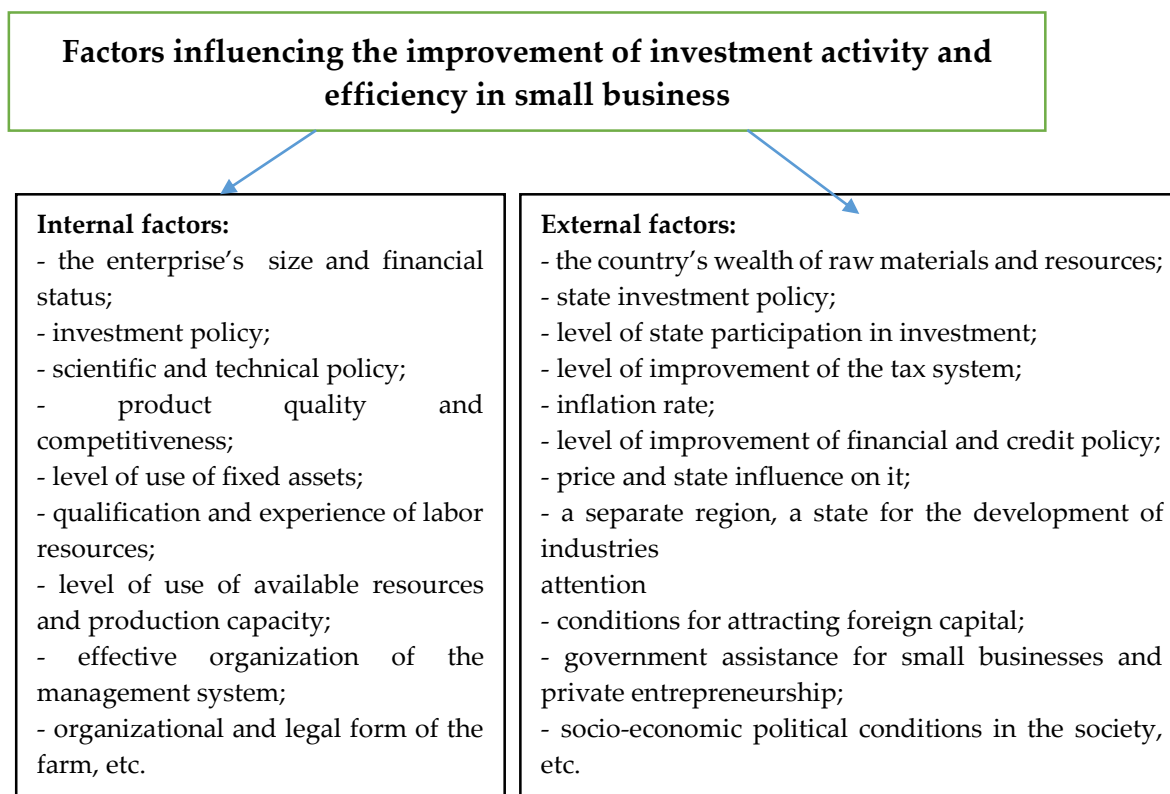


Figure 2. Classification of investment factors in small business.

According to Figure 2, we found it permissible to study the factors influencing investment activity in small business into internal and external factors. The reason is that investment activity is formed under the influence of many factors, it is appropriate to study them by dividing them into internal and external factors, taking into account convenience and accuracy. These factors directly affect the efficiency of investment in small business.

Conclusion

Based on the above thoughts and considerations, we can conclude as follows:

- developing a plan of measures to increase the national investment attractiveness by studying the investment environment in our country in a cross section of regions and comparing them;
- studying the investment policy of developed countries, focusing our attention on the factors that show their rapid positive results in increasing investment efficiency;
- we believe that it is indispensable to enhance the share of the lending system calculated from investment sources in the small business sector, to develop and implement measures to eliminate existing problems in the system.

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