



# International Conference of Economics, Finance and Accounting Studies

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## **Economic Nature of Investment Processes in the Country**

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In its circular movement, investment funds can be money, productive capital, means of production, raw materials, finished goods or work-in-progress. Entrepreneurs do not always have enough funds to carry out production in order to ensure continuous uninterrupted production. The sum of the general financial means consists of investment and innovation funds. Since investment and innovation funds are limited, it is necessary to use them effectively.

Investment funds are used for the purchase of production tools, technologies, machines and real estate. Of course, these expenses will not be covered quickly and in the short term. They are paid for several years.

After deducting the depreciation fund allocated for fixed assets from the gross investment funds, the remaining amount is the net investment funds. Because the depreciation fund is mainly used to cover the costs of the means of production consumed in the production process. But amortization funds are used within the specified periods. The rest of the time is as idle capital. Therefore, we believe that they can be used as temporary investment funds for effective use. Therefore, economic growth can be formed in the form of net investment funds only when the gross investment funds exceed the funds of the depreciation fund. In the case of economic depression, gross investment is less than depreciation fund expenses, which means that net investment funds are not generated. The level of investment is related to the development of science and technology, political and economic stability, and the level of stability of the state taxation system. During the transition of the republic's economy to a liberalized market economy, it is necessary to invest the economy and attract the necessary amount of investments, to form investment relations based on the economic laws of the market economy.

Investing in the production process, forming investment relations, and improving it can be carried out only and only in the conditions of a market economy where investment is liberalized. Funds allocated to the budget were used for long-term and short-term capital investments. However, these funds were allocated from state revenues for capital investments, and after the end of their useful life, they were not returned to the state by the subjects using this capital. The subjects were obliged to pay interest for the investment funds for a certain period of time, and return them after the end of the period of use of the received investment funds. The difference between investment funds and subsidizing entities through the state budget is that the state budget allocates capital funds to production sectors and entities in a planned and centralized manner on the basis of non-return. Based on the laws of the market economy, investment funds represent economic relations between subjects in the market economy. These received investment funds are returned by entities with interest payments for their use, that is, investment funds are in economic activity.

The development of each country's economy is related to economic laws, production, expanded reproduction, capital accumulation, investment and innovation theories.

Investment and innovation are economic categories, and in their interdependence, the economic and social sustainable development of the national economy depends on the economic and social policy established by the state. The implementation of the economic and social policy of the state depends on the amount of investment and innovation funds necessary for the development of the national economy. Investment is derived from the Latin word "invest" and refers to the sum of capital funds spent on the long-term development of enterprise activities in the production process based on the current market economy. Investment funds are mainly funds for the long-term development of the enterprise's production process, and are spent on the purchase of innovative production tools, equipment and production technologies, raw materials, resources, and ready-made innovative products necessary for the organization of a certain production process.

Investment funds can usually be in the form of gross and partial investment. The gross investment of the company is made up of the company's depreciation allowances. Depreciation allowances consist of depreciation allowances received from enterprises using the production process. Investment represents additional capital funds spent on the development of production enterprises. If the gross investment funds in the enterprise are more than the depreciation allowances, then it can be seen that the investment funds are being used effectively.

The growth of investment costs is an objective situation, which is mainly related to meeting the economic and social demands of society members. If investment allocations are less in value than depreciation allocations, this investment ratio will be relatively negative. If the level of these two indicators is the same, it means that there is no change in the economy. If production enterprises need additional investment funds for the development of their activities, they can attract additional funds through investment capital.

Although the theory of F. Keene theoretically enriched the science to a certain extent, the theory of production was considered for the first time at the level of society, but it had a class character and could not reveal the main source of reproduction.

The main content of Marx's theory of reproduction is to ensure that material wealth in any society is constantly returned to production, to reproduce social capital in the process of production and circulation, linked through market mechanisms. In this, social products are produced in the process of social production there is a problem of selling. Marx's theory of reproduction consists of 4 stages-production, distribution, exchange, and consumption, and defines surplus value as the accumulation of expanded reproduction. Marx's theory of reproduction is a theory with a class content and considers surplus value as the source of the expansion of social capital rather than accumulation as the source of expanded reproduction<sup>1</sup>. He divided the subjects of production into capitalists who owned property and hired labor who did not. As a result, we believe that this is the reason for the emergence of the theory of added value.

Continuous development of society in the developing countries in the conditions of the market economy is represented by Western economists in the model of economic circulation as follows.

In the economic model of the circular movement of this continuous production, it can be seen that the main condition for expanded reproduction is the growth of monetary income of subjects. Most foreign scientists' scientific research on "investment and innovation" is devoted to the income from investment and its level of risk. The risk level of investment income is expressed in the difference of the expected income compared to the actual income.

There is a need to develop the national economy of the republic in a new innovative and purely industrialized manner in the conditions of market economy relations. In this, a structural change occurs through the effective use of production factors. This will lead to the production of products on the basis of competition in small business enterprises and will create an opportunity for their

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<sup>1</sup>Economic theory. "East" T. 1999, 287-289

role and importance in the development of the national economy to increase. We believe that it is possible to organize the activity of a small business entrepreneur through the innovative production process not only in economically efficient enterprises, but also in small business enterprises with a low level of efficiency that do not meet the demand. Of course, it is necessary to develop the production process in an innovative way in small business enterprises with a low level of efficiency, and it can be done by taking loans from commercial banks. Economist V. Yu Burov said about this that "independent regions with a low financial level and highly differentiated development, it is possible to direct small business enterprises developing at a lower level to their innovative development segments at the first level in the current economic conditions."<sup>2</sup>.

Economists believe that the development of economic sectors depends on the development of the digital economy, and for this they pay attention to the following:

- consumer satisfaction on the basis of increasing the efficiency of the production process, the elimination of existing differences at the level of regions is expressed in the delivery of a specific product to consumers, and its result is related to the collection, processing, and storage of information, which depends on the conclusion of decisions made on reducing transaction costs;
- It depends on improving the efficiency of using the database of networks that ensure the growth of small business efficiency and implementing a new business model;
- new consumer value is defined as "relationship between consumers and producers based on the attraction of consumers to producers on the basis of innovative newness leads to the attraction of consumers to the side of producers"<sup>3</sup>. The transition to the development of the digital economy in the republic is a new modern development in the development of small entrepreneurship, which leads to the development of digital production technology.

Development of the national economy, including the development of small business entrepreneurship in the conditions of market economy relations, based on "Digital economy", "Digital technologies", production of innovative products based on modern innovative techniques and technologies in the production process, ensuring their competitiveness in consumer markets will lead our republic to have its place in the world economy and market. The advantage of using the digital economy in economic sectors, including small business, in the production process, is as follows:

- in production, the main resource of the digital economy is information data, which is completed at the expense of the source of their use and is constantly enriched with new information;
- the application of the digital economy to the production of the Internet to the extent that the production subject is not limited;
- ensures creation of conditions for small business enterprises to be competitive;
- ensures effective use of human capital and materialized innovative capital;
- the operational activities of small business enterprises in the "digital economy" will be at the level of the Internet border;
- the number of applicants for the products produced by small business enterprises will increase.

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<sup>2</sup>Burov V. Yu Maloe predprinimatelstvo v prostranstvennom razvitii regiona. Vestnik Buryatskogo Gosudarstvennogo Universiteta. Series. Economics and law. No. 2 (1) 2015.S 78-84

<sup>3</sup>Vasilenko I.V. Digital economy: Concept and reality Innovation cluster and digital economy; teoriya i praktika, rezultaty nauchno prakticheskoy konfeentsii s mejdunarodnym uchastiem./ pod.ped.d-ra ekonomiki, prof. A.B. Babkina-SPb: Izdatelstvo Politehnicheskogo universiteta. 2017, pp. 147-156

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