



FINANCIAL INVESTMENTS AND THEIR CLASSIFICATION

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Abstract

This article examines the system of financial investments that affect the sustainable economic development of our country. In our country, great attention is paid to the further development of the stock market. It is worth noting that the legislative framework has been improved, the conditions for the flow of investments in securities have been analyzed, and conclusions have been drawn.

Keywords: Financial investment, stock, bond, certificate of deposit, promissory note, digital Uzbekistan.

Introduction

In order to further develop the economy of our country, the “Development Strategy of New Uzbekistan for 2022–2026” identifies economic reforms as a priority task based on the seven key directions for economic development planned for the next five years. Today, managing all sectors of the economy and implementing and developing modern accounting systems are among the most pressing issues.

As a result of the reforms being implemented in our national economy, conditions are being created for the emergence of business entities with different forms of ownership and organizational-economic structures. One of the most important current tasks is to correctly organize and control accounting in these various types of ownership.

Research Methodology

In preparing this article, comparative analysis, sampling observation, statistical and multivariate econometric analysis methods, as well as modeling processes



such as economic-mathematical tools, fuzzy set theory, forecasting, and others were applied.

Analysis and Results

Currently, the modernization of enterprises in the real sector of the economy and the implementation of innovative technologies are of great importance. Attracting foreign investment and providing domestic incentives to support companies producing goods in accordance with global market demands will yield effective benefits. This plays a significant role in enabling our country's economy to join the ranks of developed nations.

Uzbekistan's investment policy is currently focused on prioritizing projects aimed at creating new production facilities that ensure deep processing of raw materials. In today's rapidly changing global environment, the decline in investment activity and growth rates in many countries inevitably affects our economy. Resolving such issues, particularly improving the material and technical condition of sectors and expanding their production capabilities, is directly tied to achieving these goals. However, the current system of accounting for investments within our financial framework does not sufficiently ensure targeted use of allocated funds or eliminate funding shortages.

All sectors of Uzbekistan's economy are undergoing structural reforms. These reforms are directly related to the investment process in the country. The state's investment policy, its priority areas, and the investment activity of enterprises are key factors. Practical measures are being taken to facilitate the influx of foreign investment, laws regulating investment activity are being revised and implemented.

Special attention is being given to developing the stock market in our country. It should be noted that the legal framework is being improved to create favorable conditions for investments in securities. Notably, the President's Decree dated December 28, 2022, "On measures to implement the Investment Program of the Republic of Uzbekistan for 2023–2025" was adopted. Under this program, 465 investment projects worth \$2 billion were implemented in 2023 alone, and the total volume of centralized and decentralized investments amounted to 928.7 trillion UZS.



Studying the theoretical and practical aspects of investment activity in Uzbekistan's economy and methodologically substantiating the organization and improvement of financial accounting for investment activities in line with market principles is essential. It is also necessary to develop modern rules for long-term investments in enterprises.

Financial Investments

Financial investment refers to placing funds outside a company's operational activities with the aim of earning income. This can include buying securities, acquiring shares in other companies, or lending to economic entities.

Financial investments are divided into short-term and long-term investments based on their maturity periods. The classification depends on the purpose of purchasing the securities. For example, securities acquired during the reporting year with the intention of generating income or reselling, or those with maturity beyond one year, are considered short-term investments.

Documents confirming financial investments include loan agreements, various certificates, shares, bonds, and investment certificates. If documents proving ownership of purchased financial investments are not available, such funds are accounted for separately. Documents confirming the sale of securities include sales contracts and payment orders.

Financial investments are typically made through the capital market. Stock exchanges have been established in Uzbekistan to support the development of the capital market. The securities market is regulated based on legal frameworks. Before allowing companies to trade securities on the exchange, it is important to analyze key areas of their operations and management.

This analysis is based on the following data: size of the charter capital, earnings per share, risk assessment, market conditions, production efficiency, solvency, and availability of cash funds.

Securities: Shares and Bonds

A share is a security without a fixed maturity that confirms the holder's participation in a joint-stock company and their right to receive dividends and partake in company management. Based on the rights granted to shareholders, shares are classified as common or preferred.



Common shares entitle the holder to participate in company management, receive dividends at the end of the reporting period as decided by shareholders, and inspect the company's financial performance. Shares are also categorized by income sequence common and preferred.

Common shares may entitle the holder to vote in shareholder meetings, while preferred shares generally do not carry voting rights but provide a fixed dividend and priority repayment upon company liquidation. Shares can also be registered or bearer-based.

A bond is a security indicating that its holder has loaned a certain amount of money and is entitled to repayment of the nominal value plus a predetermined interest on a specified date (unless stated otherwise in the issuance terms).

Bonds are recognized as securities that provide the holder the right to receive nominal value or other equivalents at maturity from the issuer. Limited Liability Companies (LLCs) are considered attractive for investment but were previously restricted in issuing corporate bonds.

Today, the terms for issuing corporate bonds have been simplified. The amount of corporate bonds can now exceed the issuer's equity capital (provided the excess is secured by collateral). Issuers are now only required to have positive financial indicators (profitability, solvency, financial stability, and liquidity) for the previous year. An auditor's opinion is also only required for the most recent year. Infrastructure bonds issued by businesses and state-owned enterprises to finance production or infrastructure are now exempt from prior insurance requirements. However, companies with 50% or more state ownership must coordinate such issuances with the Ministry of Finance.

Bondholders are creditors of the issuing joint-stock company, corporation, state, or local government. Interest may be paid during the bond's active period or at maturity.

Deposit Certificate and Promissory Note

A deposit certificate is a document issued by a credit institution confirming a deposit and granting the depositor the right to withdraw the principal and interest upon maturity.

A promissory note is a debt instrument in a strictly defined format. It must include the name of the person to whom the payment is due. The legal framework for



promissory notes is outdated, as they have not been practically used since 2015. As a result, almost all documents regulating such transactions have lost legal validity.

Currently, debt instruments are governed by the Law of the Republic of Uzbekistan “On the Securities Market” (No. ORQ-163) dated July 22, 2008. This law includes shares, bonds, deposit certificates, checks, depository receipts, treasury obligations, mortgages, and promissory notes, and since 2022, exchange-traded bonds have been introduced.

Conclusion and Recommendations

In conclusion, despite the economic challenges in Uzbekistan, the process of forming the information component of the global community has already begun and is showing tangible results in some areas. This trend is expected to strengthen, accelerating socio-economic processes in the 21st century and providing an opportunity for Uzbekistan to integrate into the global economy in the coming decades.

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