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THEORETICAL APPROACHES TO ASSESSING THE EFFICIENCY OF FOREIGN INVESTMENTS

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Abstract
This article systematically analyzes theoretical approaches, assessment methods and international methodologies for assessing the efficiency of foreign investments. In particular, the assessment mechanisms developed by leading organizations such as UNIDO, the World Bank, Little-Mirrless, Cost-Benefit Analysis, Ernst & Young are studied on a comparative basis. The author substantiates with theoretical arguments that foreign investments are not only a financial flow, but also a major source of technological transfer, innovation, market relations and modern management experience. The contribution of foreign investments to economic development is revealed within the framework of theories of international investment integration, risk-return model and investment portfolio approaches. At the same time, institutional and infrastructural recommendations aimed at increasing the efficiency of foreign investments are presented on the example of Uzbekistan. The results of the study allow using them as a theoretical and practical resource for assessing foreign investments and their more targeted management.

Keywords: Foreign investments, investment efficiency, UNIDO method, World Bank methodology, investment risk, diversification, risk-return model, international investment integration, cost-benefit analysis, investment portfolio, investment environment of Uzbekistan.

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Introduction

XORIJIY INVESTITSIYALAR SAMARADORLIGINI BAHOLASHNING NAZARIY YONDASHUVLARI

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Annotatsiya

Mazkur maqolada xorijiy investitsiyalar samaradorligini baholashga oid nazariy yondashuvlar, baholash usullari va xalqaro metodologiyalar tizimli tarzda tahlil qilinadi. Xususan, UNIDO, Jahon banki, Little-Mirrless, Cost-Benefit Analysis, Ernst & Young kabi yetakchi tashkilotlar tomonidan ishlab chiqilgan baholash mexanizmlari qiyosiy asosda o‘rganiladi. Muallif xorijiy investitsiyalar faqat moliyaviy oqim emas, balki texnologik transfer, innovatsiya, bozor aloqalari va zamonaviy boshqaruv tajribasining asosiy manbai ekanligini nazariy dalillar bilan asoslaydi. Xalqaro investitsiya integratsiyasi nazariyalari, xavf-daromad modeli va investitsion portfel yondashuvlari doirasida xorijiy investitsiyalarning iqtisodiy rivojlanishga qo‘shgan hissasi ochib beriladi. Shu bilan birga, O‘zbekiston misolida xorijiy investitsiyalar samaradorligini oshirishga qaratilgan institutsional va infratuzilmaviy tavsiyalar ham keltirilgan. Tadqiqot natijalari xorijiy sarmoyalarni baholash va ularni yanada maqsadli boshqarishda nazariy va amaliy manba sifatida foydalanish imkonini beradi.

Kalit so’zlar: Xorijiy investitsiyalar, investitsiya samaradorligi, UNIDO usuli, Jahon banki metodologiyasi, investitsion xavf, diversifikatsiya, risk-return modeli, xalqaro investitsiya integratsiyasi, cost-benefit analysis, investitsion portfel, O‘zbekiston investitsion muhiti.

Introduction

Investment performance is a measure of the expected return on an investment compared to the resources or funds invested. It helps determine how profitable or effective it has been for the investor. When assessing investment performance,

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investors must consider many factors, such as risk, time, and economic conditions. Investments with high performance are less risky and more diversified[1].

Investment efficiency depends on a number of factors and is assessed using various methods. Investment efficiency is often measured by comparing investment with projected levels, with deviations indicating investment inefficiency. Anagnostopoulou (2024) argues that the difference between expected and realized levels of investment is an important indicator of investment performance.[2]. Chen et al. (2021) review various models and indicators, for example, the return on equity indicator, which is also widely used in investment forecasting. [3].

Various techniques and methods can be used to determine the effectiveness of investments. They are usually divided into three main groups:

Assessment of the effectiveness of financial investments based on the benefit-cost ratio;

Calculation of the profitability of investments based on the results of the analysis of financial statements;

Methods of assessing effectiveness based on the theory of the time value of money.

The effectiveness of foreign investments is the economic benefit and results of foreign capital invested in a country or sector.

Increasing the economic effectiveness of investments is one of the important tasks of the state, organizations and enterprises. The essence of the problem of increasing the economic effectiveness of investments is to achieve a greater volume of production, services, profit and national income per unit of material, labor and financial costs.

Literature analysis

Scientific research conducted on the topic of assessing the effectiveness of foreign investments serves as an important source for studying the existing theoretical foundations and practical experience in this area. The research analyzed the impact of foreign investments on the economic development of the country using various approaches and methodologies.

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Abdulla Ibragimov and Keldiyorov Shakhriyor Ilyos oglu's article, "The Impact of Foreign Direct Investment on Economic Growth: A Case Study of Uzbekistan," examines the role of foreign direct investment in Uzbekistan in economic growth. Using a case study approach, the researchers demonstrate the positive impact of FDI on job creation, technology transfer, and export potential through real economic indicators and examples. They emphasize that the institutional environment and political stability are important factors for more effective investment.

The scientific article “Comprehensive Assessment of the Effectiveness of Investment Policy in the Republic of Uzbekistan” by Amina Kakazhanovna Aymukhammedova analyzes the theoretical foundations and practical application of investment policy. The author shows the importance of the regulatory framework, government policy and institutional structures in determining the effectiveness of investments. The study substantiates the need to further improve investment regulatory mechanisms, in particular, to strengthen legal guarantees and protection tools for investors.

Odilbekov Nozimbek Ortikbek oglu in his study “Foreign Investment and Governance Shaping SEZ Performance in Uzbekistan” analyzed the impact of foreign investment in special economic zones in Uzbekistan using a multi-parameter regression model. The study examines the relationship between the quality of governance, the state of infrastructure and the FDI flows of SEZs provided with benefits and their economic efficiency. The results show that high-quality governance and modern infrastructure play an important role in actively attracting foreign investors and improving economic indicators.

In the article “Assessing the Impact of Foreign Direct Investment on Uzbekistan's Economic Development: An Empirical Analysis (2004–2023)” by Khaydarova Shakhlo and Ismailova Nilufar, the long-term impact of FDI on the economy of Uzbekistan is studied using empirical models (OLS and VAR). The study statistically assesses the relationship between the volume of FDI and GDP for the period 2004–2023. The authors found that the level of FDI has a significant impact on economic growth and noted that this impact should be strengthened by infrastructure, human capital, and political reforms.

The above scientific studies show the need for a comprehensive approach to assessing the effectiveness of foreign investments, based on various approaches - empirical models, theoretical analyses and case studies. They substantiate that foreign investments serve economic development not only as a source of capital, but also as

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a provider of technology, experience and market connections. Therefore, it is important to implement complex institutional, legal and infrastructural approaches to increase the effectiveness of foreign investments in Uzbekistan.

Methodology

Many approaches and methods have been created to assess the effectiveness of investments. The most common of them are the following methods:

1. UNIDO (United Nations Industrial Development Organization) method;
2. Little – Mirrliss method;
3. World Bank (WB) method;
4. Cost-benefit analysis method;
5. Ernst & Young (EY) method;
6. Goldman, Sachs & Co method;
7. European Bank for Reconstruction and Development (EBRD) method.

The full name of the methodology, called the UNIDO method, is “Guidelines for the Preparation of Industrial Feasibility Studies”. It was first published in 1978 due to the lack of comprehensive standards for project evaluation in developing countries. Since then, the approach proposed by UNIDO has been adopted by government ministries, banks, financial institutions, universities and consulting firms.

Analysis and results

The UNIDO methodology helps decision-makers in developing and developed countries, with investors of varying levels of education and professional qualifications, to prepare feasibility studies for industrial production.

UNIDO metodologiyasi investitsiya loyihasini uchta alohida bosqichdan iborat sikl shaklida chiqishni tavsiya qiladi:

Pre-investment stage;

Investment stage;

Launch stage;

Among the above, the Little-Mirrliss method is currently widely used. The Little-Mirrliss method is a method for calculating the cost of goods and services at international prices. The Little-Mirrliss method is an alternative to the UNIDO method. This method is used to calculate the cost of all goods and services at international prices. The Little-Mirrliss method has the following limitations and disadvantages:

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the methods and criteria for selecting an investment project are based on the concepts of a planned economy with unlimited labor resources;
the lack of data when calculating price conversion coefficients;
world prices for products are very prone to speculation, and using the Little-Mirrlis method here can lead to incorrect results in assessing the effectiveness of investment projects.
In countries based on a market economy, the World Bank's project analysis method is widely used. Its main advantage is that it is aimed at creating conditions for sustainable economic growth. The World Bank provides impetus to the investment project, since its financing mechanism is a development bank, which is associated with high risk and is implemented under state guarantees.
The fourth of the above methods - the cost-benefit method - first appeared in France in the 19th century, later migrated to the USA, where it began to develop rapidly in the 1940s. The main principle of this method is to calculate the net present value received from the implementation of a particular investment project. The disadvantages and limitations of the method are embodied in the lack of accounting for profits in the long term, the lack of accounting for non-profit profits and the impact on the efficiency of the redistribution of funds, as well as the presence of a certain degree of subjectivity in its application.
The last three methods are the first step in creating an investment project and are used when developing business plans. Economists at Goldman Sachs & Co. suggest using official statistics for calculations that are less prone to intentional distortions, such as average energy and construction materials prices. Ernst & Young uses adjusted present value to assess investment performance.
Almost all of the seven methods listed above are widely used in world practice today. In particular, the methods of the World Bank and the European Bank for Reconstruction and Development are actively used in the evaluation of large projects. However, if we look at the world scale, we see that the method of the UN specialized organization UNIDO is widely used in the unified methodological guidelines developed at the government level for the selection of investment projects and assessing their effectiveness.
The theory of international investment integration is a set of theories that study the processes of attracting and managing investments in the global economy. This theory analyzes how investments are made internationally, how they form economic

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relations between countries and their impact on economic development. Research in this area allows governments to develop strategies that are important for economic development. By creating a stable and effective environment that attracts international investors, countries can further develop their economies.

The theory of international investment integration is an important concept in the fields of international economics and finance, which studies the processes of capital and investment movement between countries. This theory analyzes economic relations between countries, their development, investment flows and global integration processes.

Risk and return are interrelated in investments. An increase in the potential return on investments is usually accompanied by an increase in risk. Different types of risks include project-specific risk, industry risk, competitive risk, international risk and market risk. Return refers to the profit or loss from trading securities. The return on investment is expressed as a percentage and is a random variable that can take any value within a certain range. Several factors affect the type of return that investors can expect from trading in the markets.

Conclusion

Foreign investment occupies a special place in today's global economy not only as a source of capital, but also as a means of technological progress, innovation and international exchange of experience. This article systematically reviews the main approaches and methods used to assess the effectiveness of foreign investment. The advantages and limitations of UNIDO, Little–Mirrliss, World Bank and other methodological approaches are analyzed. The relationship between investment profitability and risk factors is also described based on the risk-return model. The analysis shows that legal guarantees, modern infrastructure, quality of governance and political stability play an important role in attracting effective foreign investment. The application of the theory of international investment integration allows for strategic management of investment flows. Thus, the combination of theoretical approaches and practical mechanisms in assessing the effectiveness of foreign investment is an important basis for economic development.

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